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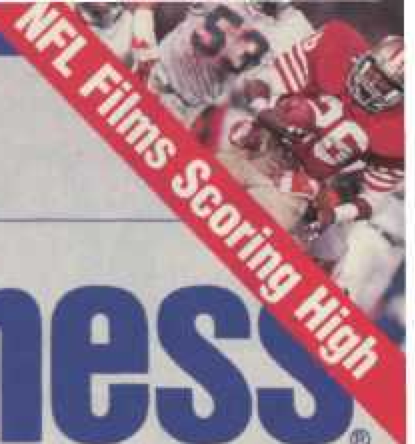

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Nation's Business

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VOL. 76, NO. 9

Nation's Business

Published by the U.S. Chamber of Commerce Washington, D.C.

MANAGING YOUR BUSINESS

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DEPARTMENTS

PHOTO: JIM HEEMSTRA—PICTURE GROUP

Cover Photo: Brian Smith
Cover Inset Photo: John Storey—Allsport USA, Inc.

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46. In Canada and all other foreign subscriptions, add $10 per year. In combination with the newspaper *The Business Advocate*, one year, $56; two years, $85; three years, $99. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. *Postmaster:* Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20895. Subscriber Service: 1-800-628-6582 (in Maryland, 1-800-352-1450).

COMMENTARY

Letters

The Work Force's New Majority

Sharon Nelton's article "Meet Your New Work Force" [July] is as biased as the white-male system she discredits. This system has worked for over 200 years and is still the driving force behind business today.

Women and minorities feel as though the business community owes them something more. Bilingual offices? Multicultural planning divisions? Adoption of new dress codes to accommodate cultural fashions? According to the Nelton article, business must now make special accommodations for this new work force.

Affirmative action forced businesses to hire required quotas of women and minorities, which discriminated against better qualified individuals. Now business must spend time and money on special programs to make these employees feel less "alienated or uncomfortable." White males have never needed special favors from business.

Sharon, if you are drawing a salary from a company that is providing you with employment, you should be giving that company 100 percent effort without any special considerations or accommodations. Now go out and get to work! The new minority will be waiting for you to try and catch up.

D. Scott Beehler
General Manager and White Male
Morgan Medical Books
Tulsa

True, there is a new and growing majority of women, blacks, Asians and Hispanics in the workplace. But aren't you missing a valuable facet of the population, people with disabilities?

Times are changing, and it becomes more and more apparent that the stereotypes, myths and misconceptions of yesteryear no longer are accepted by employers. They are reaching out for employees who are capable, reliable and productive regardless of whether those employees are hearing-impaired, sit in a wheelchair or have a visible or invisible disability.

Many employers have already discovered that ability is all that counts.

Mertie L. Terry
Chairman
Connecticut Governor's Committee on Employment of the Handicapped
Waterbury, Conn.

I guess all that's left for us white males is to invent the product or service, finance its introduction into the marketplace and manage the production and

marketing of said product or service.

At no time has it been illegal for others to do this, but precious few have grasped the opportunity. Among these few, people from the Pacific Rim are coming up fast. Some are likely never to get there.

Walt Buescher
Pigeon Forge, Tenn.

The feature photo of your article illustrates another change in the work force that has developed over the last 20 years.

There are three "workers" pictured, but none are working.

Bill Salmon
Stockbridge, Ga.

Up In Arms Over Divorce

I was deeply disturbed by the photograph that accompanied your article "Labors Of Division: Taxes After Divorce" [July]. The photo shows a bride and groom back to back, holding guns, about to go 10 paces.

I find this photo a horrifying commentary that you feel young couples today must resort to guns and violence to solve their problems. We in the United States live in an increasingly violent society, with kids killing kids and with a 50 percent divorce rate. I'm sorry to see that your magazine could not be bold enough to take an optimistic, helpful point of view, but instead chose to perpetuate the "easy out" solution of divorce—or murder?

Laura R. Rodnon
Sterling, Va.

Another Home Inspector

After reading your article "He Wrote The Book" [Making It, July], I would like to share some additional information with you.

Real Estate Support Services, Inc., (RESS) is a national home-inspection company. We were founded in December, 1985, and did over $2 million in sales in 1987, our second year in business. We have already performed more inspections in 1988 than Homepro will perform this year.

RESS has more than 1,000 employees and subcontractors around the country, including approximately 50 employees at our corporate headquarters in Minneapolis. We have a high regard for Mike Lennon as a fellow expert in our industry. He has done an excellent job in growing his business and the home-inspection industry.

Bruce D. Frimerman
President
RESS
Minneapolis

Working Without Hard Hats

Both men in the foreground of the picture on the first page of your article "Working Around Workers' Injuries" [July] may be injured if they are in the habit of standing in a work area, under a high-lift load, without hard hats.

This picture would make a good "don't" poster for a safety program.

S.L. Brooks
Washington, Pa.

A Higher Minimum Wage

I agree with the views expressed in "Hiking The Minimum Wage" [Congressional Alert, June]. The public fails to realize that $3.35 is a good starting wage for what you get. Ninety percent of all young people who make minimum wage just want a "paycheck." They don't want to have to work for it. The good young people won't stay at minimum wage for long.

I own a small business with 10 employees— five family and five from outside. Because of the wage increase in California to $4.25, we have already stopped hiring. We are less likely to give a young person a chance. At the beginning of July we started reducing our employees' hours by having them

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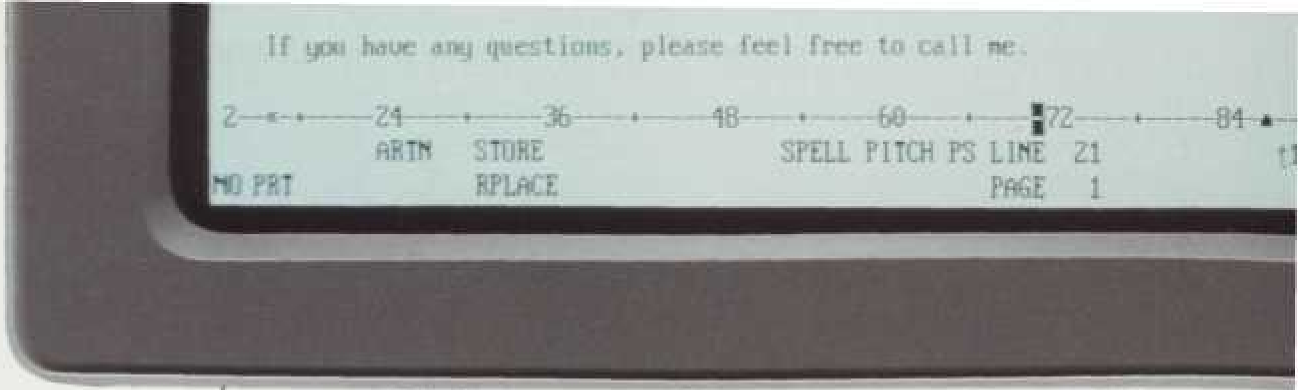

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IBM The Bigger Picture

COMMENTARY

Letters

start later. When employees leave, we won't replace them.

Before our politicians raise the minimum wage, they should first reduce their own salaries and go through hard times like other citizens have.

Michael Touhey
West Covina, Calif.

I for one am glad the minimum wage is going up. As a victim of the low end of the pay scale, I think the increase is long overdue.

I like my job and work hard at doing it the best I can. The lousy pay is demoralizing and also has me on the lookout for a better offer elsewhere. This is regrettable, but my employers are too cheap to see the forest for the trees. When it is you on the low-budget end, then you view this increase as a step in the right direction.

Dean Williams
La Mirada, Calif.

Don't Give Up The Drug Fight

The pervading argument for the legalization of drugs ["Legalize Drug Use?" Where I Stand, July] is our inability to control or prevent their use. The opinion that we cannot win the war against drugs does not legitimize giving up the fight.

Murder is illegal, yet the rate of occurrence continues to increase. Should we remove the deterrence and the penalty and legalize it?

John Jeffers
Norristown, Pa.

A Fired Controller's View

I am responding to June's Where I Stand ["Rehire Fired Air-Traffic Controllers?"] and to Howard D. Walrath's letter in the August issue ["Rehiring Controllers Doesn't Fly"].

As a fired "malcontent," I have no desire to return to air-traffic control. There may be some who for financial reasons might like to return, even at the risk of health and dignity, but if I were rehired today, I'd strike tomorrow!

Yes, I knew it was illegal to strike, but in the interest of public safety, personal health and my family's well-being, I believe it was worth the risk to bring maximum attention to the FAA's shameful abuse of the public's interest.

This nation's laws may well allow governmental agencies to ignore their responsibilities, hurting everyone involved except the petty politicians who prostitute themselves for four-year terms, but that doesn't make it right.

It appears to me that if Mr. Walrath is not an air-traffic supervisor, he's groomed himself enough for the job. However, the air-traffic system needs to be guided and managed by people other than politicians.

Why not break with tradition and empower a congressional appointee to head the Federal Aviation Administration long term, without regard to political affiliation, but rather on the basis of extensive hands-on aviation experience?

I am truly sorry for all the pain and inconvenience caused the flying public, the airlines, other unions busted through our precedent-setting termination, my family, the few good controllers left behind and those public officials (including President Reagan) who tried to understand both sides, even though we didn't have money to lobby with.

Al Melvin
Former Controller

Helping Business-Plan Writers

We thought Roger Thompson did a splendid job on "Business Plans: Myth and Reality" [August] and want to offer a brief addendum for those in the throes of writing a business plan, especially those in need of some assistance.

The Service Corps of Retired Executives (SCORE) has recently introduced a Business Planning Workshop. Upstart Publishing has worked with the Small Business Administration (SBA), SCORE and Paychex, Inc., over the last 12 months to develop a strong nationwide curriculum in business planning for SCORE's use.

James Abdnor, head of the SBA, said of the project, "Paychex and Upstart Publishing have enabled our SCORE volunteers to adopt a unified approach in supplying future small-business owners with the basics they'll need for success."

These workshops are affordable for just about everyone and use a proven resource—our *Business Planning Guide*, now in its 15th printing. The book is an important resource for all small-business owners, not just those in the start-up phase.

Jean E. Kerr
Vice President
Upstart Publishing Company
Dover, N.H.

[Editor's note: Information on the Business Planning Workshop is available from local offices of SCORE or from the SBA.]

ENTREPRENEUR'S NOTEBOOK

Don't Let Lenders Curb Your Growth

By James E. Ferrell

Growth is seldom easy or comfortable. As one sage has said, "If the shoe fits, you're not allowing for growth."

Never is the shoe more likely to pinch than when you outgrow your existing financial resources. Too many small-business owners feel locked in with a financial institution that may be limiting their ability to expand.

It's a well-known process: When you need $5,000 to open your doors, you go to a very small bank. By the time you have grown to the point where you need $100,000, you are challenging the first bank's comfort level—and perhaps its legal loan limit. You need a larger bank.

But the next bank has a $250,000 minimum, so you have to convince their lenders that you'll grow into it.

When you finally need $5 million, you find yourself dealing with banks that look only at $50 million deals.

It never seems to end.

My advice to the small-business person is, "Don't hesitate to cultivate new banks and drop the old." That's what I did in building the Ferrell Companies. Ferrell Petroleum is now the largest independent wholesale propane company in the country, and Ferrellgas, the third-largest retail marketer of propane, has over 500 outlets in 38 states.

Early on, I had reached the loan limit at one of my banks. When I asked the banker for more, he seemed defensive. "Jim," he said, "someday you'll just have to be satisfied." He seemed to think it wasn't right to keep growing!

But doors can open in surprising ways.

In the mid-1970s, during the energy shortage, I had to buy propane anywhere I could. One source was Kathol Petroleum, a small, public company in Wichita, Kans. So I went to Wichita to visit the firm's executive vice president. It was a trip like countless others I was making at the time.

During our conversation I learned that the company was for sale. I had never thought about owning my own production operation, but I was intrigued.

The executive vice president took me to see the company chairman and majority owner, a brilliant, eccentric businessman named George Ablah, who calls himself "Little George."

Little George had not owned his block of Kathol stock very long. He had been trying to sell, but he had not been able to find anyone who would pay what he needed. With my propane business, I could make more money with the company than anybody else, so I was a perfect fit. Little George decided to help me buy the company.

The most I had ever borrowed was $1 million from a Kansas City bank, and the price on this deal was $12.5 million. The Kansas City bank was my first stop, and I was all but thrown out. Little George then took me to visit his primary bank, at that time an entrepreneur's bank. The bank's officials liked the idea, but my net worth was too low. Little George then found a financial partner for me, a multimillionaire from Minneapolis who joined me as a 50 percent partner in that venture only. I bought him out three years later.

That was my first introduction to a *real* bank. I had never seen one before!

The point is, don't let the limitations of others limit you. Along the way, you may hear bankers say: "You're making a big mistake. The last fellow I knew who did that went bankrupt."

It is part of their job to keep you from doing something destructive to yourself. But if your deal makes sense, somewhere there's a monetary source for it.

Too many small-business owners feel locked in with a financial institution that may be limiting their ability to expand.

Here are some pointers from my own experience:

- Always cultivate new banks. Do so rigorously when you are going to need more money and know you're close to your existing bank's limit. It's an ongoing process of networking.
- Don't burn bridges. It's possible to move on to a bigger bank without making enemies at the banks you leave behind. Later on you may want to bring some of your smaller banks into groups being put together by larger banks.
- If a banker tells you, "You're making a big mistake," listen to that advice, and then make your own judgment. A good banker is a valuable source of caution that is aimed at averting risks. But don't let the banker limit you if you believe you're right.
- When you shop for a bank, don't approach your first choice first. Shop around. Your presentation will improve with each meeting.
- Do your homework. Read the bank's quarterly statements. A loan limit is usually 10 to 20 percent of a bank's net worth, depending on the location and type of institution. And don't hesitate to ask a bank the size of its loan limit.
- In choosing a bank officer, search for personal "chemistry" and the banker's familiarity with your business and industry. NB

James E. Ferrell is founder, chairman and president of the Ferrell Companies, Inc., in Liberty, Mo. The companies include the nation's largest independent wholesale propane company and the third-largest retail marketer of propane.

Readers are invited to contribute to Entrepreneur's Notebook, a forum in which owners and/or managers of smaller to medium-sized businesses discuss their experiences. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062.

Small-Business Update

By Joan C. Szabo

The Opening Wedge On Plant Closing?

It's almost certain that the highly controversial issue of plant-closing notification has not been finally resolved by a new law taking effect without President Reagan's signature.

That law requires employers of more than 99 workers at any one site to give 60 days' notice of plant closings or layoffs affecting more than 49 jobs. The requirement for notification on layoffs applies if at least 500 workers or more than 32 percent of employees are affected. The penalties are stiff. For each day a required notice is not given, an employer must pay workers a day's pay plus the cash value of fringe benefits for a day.

If penalty payments to workers are not made expeditiously, the employer could be required to pay the community in which the plant was situated $500 for each day that a required notice was not given, up to a maximum of $30,000.

The law exempts employers with fewer than 100 full-time workers because its sponsors wanted to minimize opposition from small business.

The tactic did not work, however, and small-business people remained in the forefront of opposition to the measure. The reason for that stance was the "nose-in-the-tent" tactic frequently used to win passage of legislation. That involves use of a numerical threshold—expressed in numbers of people, sales revenues or other terms—below which a law does not apply.

Once the law is in place, however, it is easy for the lawmakers to expand the coverage of the law by lowering the threshold.

That's why small-business opposition to plant-closing legislation was so strong, despite the arguments of its sponsors that it was not aimed at smaller companies.

With the basic law now in place, those companies are anticipating the possibility that a move will be made in Congress next year to lower the 100-worker threshold at which a company becomes subject to the law.

While allowing the plant-closing legislation to become law, President Reagan did not modify his views on the mandated requirements.

He said workers should be given as much notice as possible when a business must close or lay off workers, but he added that a federal mandate was the wrong course. "Federal law, unlike negotiations between labor and management, cannot anticipate the variety of individual circumstances faced by workers and firms," the President said. "Federal laws like this one are counterproductive."

At the same time, he pointed out that the Senate leadership would not even consider a top administration priority, trade-reform legislation, until he had acted on the plant-closing measure.

"In order to end these political shenanigans and to get on with the business of the nation—especially enacting responsible trade legislation—I have decided to allow the plant-closing bill to become law without my signature," the President said.

The Senate validated the President's strategic view of the situation by passing the trade bill and sending it to him for his signature within 24 hours after the President announced his decision on the plant-closing legislation. (A full report on the details of the trade bill will appear in the next issue of *Nation's Business.*)

PHOTO: STACY PICK—UNIPHOTO

The Women's Business Ownership bill would create a small-business loan program especially useful for the service sector, where women-owned businesses are concentrated.

A Measure To Help Women Entrepreneurs

Legislation to assist the development of small businesses owned by women was recently introduced in the U.S. House of Representatives by Rep. John J. LaFalce (D-N.Y.), chairman of the House Small Business Committee.

The Women's Business Ownership bill "constitutes a long-overdue recognition by the Congress of the importance of the fastest-growing segment of the American economy—women-owned businesses," LaFalce says.

The measure is based on testimony during six days of hearings and on the committee's bipartisan report, "New Economic Realities: The Rise of Women Entrepreneurs."

Women-owned businesses have emerged as a driving force in the economy and have grown substantially in recent years. Women owned less than 5 percent of all American businesses in 1972, they now own about one third, and by the turn of the century they will own about one half.

Despite recent progress, women still encounter obstacles in launching businesses, the House panel found. For example, women continue to face discrimination in obtaining credit, and less than 1 percent of all federal contract dollars go to women-owned firms.

The Women's Business Ownership bill would address those concerns and try to provide more opportunities for women in business, sponsors say.

Among other things, the legislation would:

- Establish a three-year, $10 million matching fund for joint public/private demonstration projects to provide management training and technical assistance to women business owners.
- Amend the Equal Credit Opportunity Act of 1974 to eliminate the current exemption for business loans. Financial institutions would have to inform applicants in writing that they have a right to a written explanation of a loan-application denial. Banks would no longer be able to ask the marital status of loan applicants.
- Create a special SBA-guaranteed "mini-loan" program for amounts up to $50,000. These loans would serve all small businesses, but they would be es-

A quick scan of issues concerning small business, from a look at the new plant-closing law and the bill to help women-owned businesses, to ideas on how to cut employee theft.

pecially useful for the service sector of the economy, where women-owned businesses are concentrated.

- Promote greater access to federal procurement opportunities by requiring numerical goals to be established by federal agencies for both prime contracts and subcontracting plans.

LaFalce notes that the measure carries the symbolic number of HR 5050. "What women want is a 50-50 deal," he says, "and that is what our societal and economic goals should be."

Business Remains Optimistic

Business expectations for increased sales and profits in the third quarter exceed the expectations registered for the year's previous two quarters, according to the latest nationwide survey of business executives by the Dun & Bradstreet Corporation.

Dun & Bradstreet asked 1,500 executives in manufacturing, retailing and wholesaling if they expect an increase, decrease or no change in third-quarter sales, profits, prices, inventories, employment and new orders.

"The results of the survey indicate that the economy remains fundamentally strong," says Joseph W. Duncan, D&B's corporate economist and chief statistician. "Manufacturers are continuing to benefit from rising export demand, while healthy levels of consumer spending have bolstered confidence among wholesalers and retailers for increased sales." Sales expectations have not been at a higher level since the fourth quarter of 1984.

"The pressure is on manufacturers to expand production capacity in order to maintain delivery schedules and prices," Duncan says. "If orders go unfilled because manufacturers are unable to meet demand, prices will rise."

Ways To Cut Employee Theft

Employee theft continues to be a nagging problem for businesses of all sizes. The Commerce Department estimates that U.S. businesses lose as much as $40 billion a year to employee crimes.

Small firms that have just one clerk handling all the banking, invoices and bills are especially vulnerable.

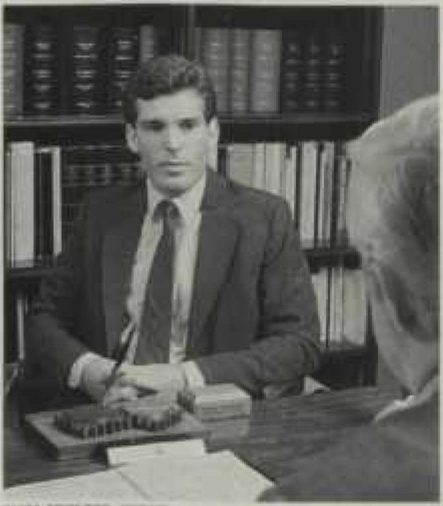

PHOTO: STACY PICK—UNIPHOTO

To discourage workplace theft, experts recommend steps such as thoroughly screening applicants.

To help stop the drain on business, experts say, companies should take steps to boost crime prevention.

James Knox, who is a partner in the Dallas law firm of Vial, Hamilton, Koch & Knox, says: "Business owners generally focus on recovery and pay little attention to prevention. There are a number of things employers can do to make theft difficult, without investing a lot of money."

Businesses should check bookkeeping and other operations periodically for obvious opportunities for theft. In the bookkeeping department, for example, clerks can program computers to add pennies to the price of an item and then deposit the excess sums in their bank accounts. Or they can add fictitious names to the payroll.

Business owners who want to pre-

vent employee theft could consider the following recommendations by Knox:

- Separate duties. Don't give one person responsibility over both accounts payable and accounts receivable. Use an accountant to establish procedures and controls. Follow accounting measures rigidly, and conduct independent audits annually to detect any fraud.
- Ask employees to sign for the use of office equipment and supplies.
- Periodically change locks on file cabinets and doors, and change computer passwords.
- Screen job candidates thoroughly by checking references.
- Publish a code of ethics that leaves little doubt about the consequences of employee crime.
- Protect assets with a fidelity bond, often called "dishonesty insurance," to ensure quick recovery of stolen funds. To decide on the correct amount of fidelity coverage, determine how much money you have tied up in bills, payments and office equipment.

Knox says that business owners should overcome their reluctance to have employees prosecuted in cases of internal company theft. Prosecution, he says, can deter further crime.

A New Guide On Trade

The U.S. Chamber of Commerce has just released a definitive guide designed to help business people learn the ins and outs of the recently passed Omnibus Trade and Competitiveness Act of 1988.

The guide details key components of trade legislation. It also contains graphs, illustrations and a glossary of trade terminology.

Subjects explored in depth include market access, import relief and export expansion. Also spelled out in the guide are international trade issues such as intellectual property, export controls, telecommunications and trade adjustment assistance.

The guide is aimed at those who are interested in increasing exports, competing in U.S. markets and understanding trade policy. It is part of a Chamber educational program on the new trade measure; the program will include a videotape available in the fall as well as seminars to be presented in the United States and abroad.

The guide is designed to translate legislative terminology into straightforward, usable language for the U.S. and overseas business person. It explains how to take action when unfair imports injure your industry; how to take advantage of revised export-control laws that will ease the way for your exports; and how to protect your intellectual properties, trademarks and patents under the improved regulations.

The new publication is available for $30 to Chamber members, or $40 to nonmembers.

Write to the International Division, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062, or call (202) 463-5460.

Quoteworthy

"The savings and loan business is not in crisis ... The business is comprised of nearly 3,200 institutions, the overwhelming majority of which are earning profits. But you don't read or hear about those institutions. What you read and hear about is that aggregate first-quarter losses for our business amounted to $3.8 billion. What you don't read about is that $3.7 billion of the $3.8 billion in net losses is attributable to a mere 50 institutions ... The self-appointed experts on our business conveniently ignore the positives, preferring instead to use the negative numbers to smear us all."
—Theo H. Pitt, Jr., chairman of the U.S. League of Savings Institutions.

"The most gratifying part of my business came from the fact that I created jobs for people who were unemployed ... I was the wrong religion, the wrong color, the wrong sex and too young to fit in with my customers, suppliers or workers. But my business idea was sound, I managed the business well, and I made money."
—Maury Hanigan, creator of a bag-manufacturing firm and winner of the National Women's Economic Alliance essay contest.

Women Mentors

Businesswomen who would like to have mentors may be interested in a new nationwide program sponsored by Clairol to find aspiring women in 10 career categories, including advertising, education, law and small business. The winner in the small-business category will be matched with a leading small-business woman who will serve as a mentor. The winner will receive sessions with the mentor and a $1,000 cash award.

If you would like to apply, type a statement of no more than 100 words describing your views on the value of a good mentor and how one could play a role in your career success. Send the entry (postmarked no later than Oct. 31, 1988) to The Clairol Mentor Program, c/o The National Women's Economic Alliance Foundation, 1440 New York Avenue, N.W., Washington, D.C. 20005. NB

This Month's NB TIPS

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INTERNATIONAL BUSINESS

No Ebb Tide For Imports

Many U.S. firms still prefer to buy parts abroad because of quality, quantity or continuity of supply.

By Steven Golob

To find the "things that go clank in the night," as he calls the mechanical devices he uses in his business, Charlie Harlfinger goes abroad.

Despite big increases in the prices of overseas goods because of the declining value of the U.S. dollar, Harlfinger still imports devices for the food-handling machines his firm assembles.

Harlfinger certainly isn't alone in importing in the weak-dollar era. More than three years into this period, 87 percent of American manufacturers still use foreign parts, according to a recent survey by the National Association of Purchasing Management.

In choosing an overseas source for parts over a domestic one, a U.S. manufacturer may be seeking higher quality, larger or smaller quantities, continuity of supply or any combination of the three. Also, by using foreign suppliers, U.S. firms may be seeking to benefit from the accommodations that overseas suppliers are making to cling to U.S. market shares won when the dollar was high and the prices of their parts, therefore, were low.

Of course, some imported parts are still cheaper than their U.S. equivalents because of lower labor costs in most countries or, in some others, more modern and efficient production machinery.

Harlfinger says he imports parts from Europe, especially Germany, because "in our business, German-produced mechanical devices really set the world standard." Harlfinger's business, T.W. Kutter, Inc., of Avon, Mass., assembles machines for food processing and packaging. Its annual revenues are about $40 million.

"Our core business is sausage-processing equipment," Harlfinger says. In making this equipment, he explains, "the Germans have an advantage because sausage is a staple in their diet. They produce much more of the equipment [than U.S. manufacturers do] just to keep up with local demand."

Nevertheless, Harlfinger's assemblers attach American electronic control devices to the German machines because Harlfinger believes American electronics are better. "Americans just seem to have a better intuition for those types of things," he says.

That's not necessarily so, says Norm

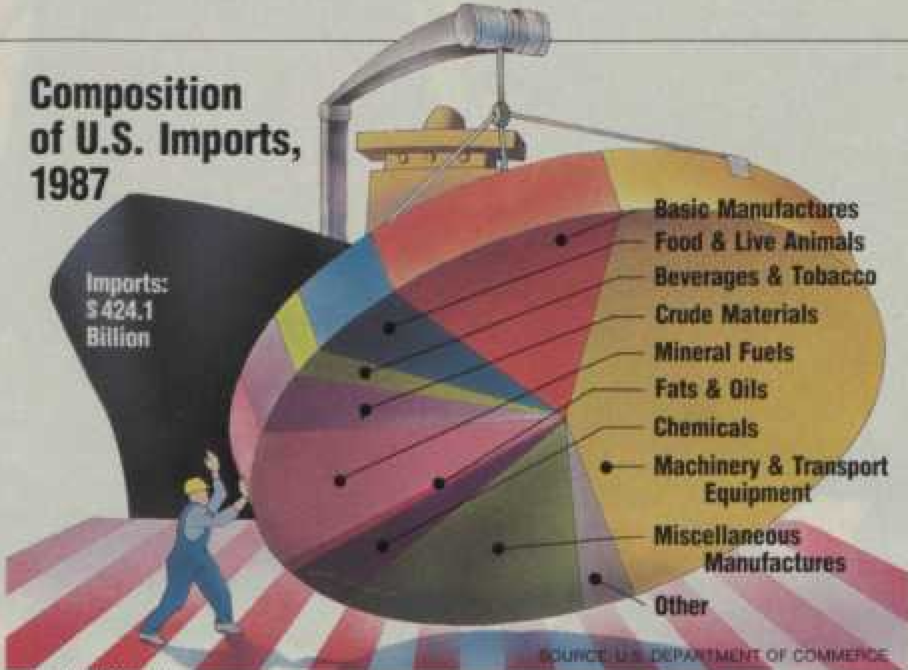

ILLUSTRATION: HAROLD SMELCER

MacInnis, an officer of the Electronic Representatives Association. "There's also an awful lot of good electronic engineering coming out of Japan." Ironically, MacInnis notes, in looking abroad for parts, U.S. manufacturers may find themselves dealing with overseas units of U.S. companies. And, in looking to "buy American," U.S. companies increasingly may find themselves buying parts made in their hometowns by foreign companies.

Sprague Electric, a unit of Sprague Technologies that makes electronic components, does not let national boundaries limit where it does its manufacturing or its purchasing. Christo-

Charlie Harlfinger imports German components for his sausage-making machines because Germany sets the world standard for such equipment.

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pher Steinberg, Sprague Electric's worldwide manager for international trade, says that when his company considers where to buy parts, there are "strategic considerations" apart from price. These include the need for continuity of supply from one source in case of disruptions in production or transportation of supplies from another.

When strategic considerations result in spending more for parts, Steinberg says, "we get more creative about how we pay." Sprague has protected itself against the falling dollar by contracting to pay for foreign parts in dollars or "in some cases, we have hedged by purchasing foreign-exchange contracts in expectation of purchasing parts in that foreign currency later."

Purchasing foreign-exchange contracts to hedge costs against currency fluctuations may sound complicated for small and midsized manufacturing companies. But, basically, it's the same hedging that farmers do with forward contracts to protect their incomes against fluctuations in commodities prices. Any bank with an international department can lead even the smallest company through the steps.

As another option, a U.S. manufacturer may be able to include in its contract with a foreign supplier an agreement to split the difference when changes in currency-exchange rates hurt one and help the other.

"The supplier should share the responsibility for shifts in currency valuation," insists Charles Intrieri, who began importing parts for Schwinn Bicycle 23 years ago. Intrieri is now head of worldwide procurement and scheduling for the Troy-Bilt Division of Gardenway, Inc. Troy-Bilt makes rototillers and lawn mowers, contributing some $100 million to Gardenway's more than $200 million in sales last year.

Intrieri, who has lectured on importing, offers "dual sourcing" as a valid reason for purchasing parts from suppliers both at home and abroad.

Other purchasing experts disagree, arguing that it is difficult enough to bring one supplier's quality up to desired levels. Trying to do this for two sources, they say, doubles the likelihood of quality-control problems.

Many single-source U.S. manufacturers were forced to switch to overseas suppliers in the early 1980s when the U.S. dollar skyrocketed and their U.S. suppliers conceded certain areas to foreign competitors. Now, despite higher costs, these single-source manufacturers are staying with their foreign suppliers, making it more difficult for some parts manufacturing to return to the United States.

However, the production of parts that are less labor-intensive is picking up in the United States, forcing foreign competitors to fight to hold their shares of the U.S. market. These foreign parts makers are making price concessions and are offering extra service. "After-sales service is one of the consistent complaints that American buyers have with respect to American companies," says Michael Calhoun, former vice chairman of the U.S. International Trade Commission.

To retain their U.S. customers, foreign suppliers offer other inducements, such as producing parts in limited quantities, conforming to unusual specifications and meeting tight deadlines.

This year, the U.S. trade deficit has narrowed not because exports are growing and imports are shrinking, but because exports are growing faster than imports. Mainly responsible for the continuing growth in imports is the capital-goods sector, notes Calhoun, now an international-trade lawyer with the Washington firm of Laxalt, Washington, Perito and Dubuc.

While some worry that parts and machinery from abroad keep coming to the United States despite price increases, others see the bright side for the U.S. economy. "This stuff is lowering our costs and making our factories more productive, so we're going to earn our way back to being competitive again," says John Rutledge, chairman of Claremont Economics Institute, a consulting firm near Los Angeles.

For U.S. manufacturers thinking of taking on an overseas supplier, Troy-Bilt's Intrieri has a word of advice: "visitation." He says, "You should never buy from a foreign source unless you go over and visit the company to make sure it's not being operated out of a telephone booth." NB

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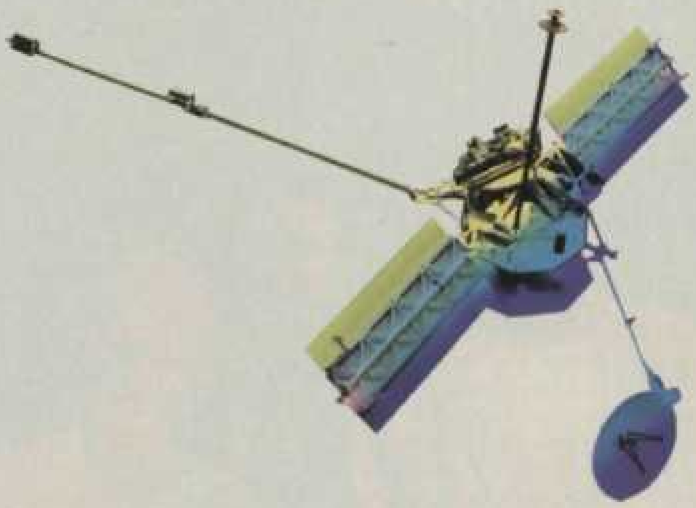

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COVER STORY

Family Business: A Hot Market

By Sharon Nelton

PHOTO: SCOTT GOLDSMITH

Family-business consultant Barbara Hollander, center, has teamed up with Pittsburgh National Bank's Rich Aronson and Tom Smith, flanking her, to help clients such as Lorie Obernauer, left, and her father, Somer Obernauer, Sr., sort out family and business issues. Lorie and

For the past decade, Americans have romanced the entrepreneur, encouraging his growth, praising his virtues and selling him goods and services.

But now we are angling for a more enduring relationship with a new idol: the family firm.

Pittsburgh National Bank has targeted family businesses of $1 million to $30 million in annual sales as a new market for its Trust Division.

Smith Barney intends to become "the premier investment banker to family businesses," according to François M. de Visscher, vice president and director of the company's recently established Family Business Group in New York. He's going after the upper end—firms with annual sales of $75 million to $100 million.

Early this year, Hubler/Swartz, a Minneapolis company that is one of the country's most respected family-business consulting firms, merged with McGladrey & Pullen, one of the nation's largest accounting and consulting firms. The merger, said the announcement, would allow Hubler/Swartz to offer its services through McGladrey's 70 offices nationwide.

After years of being considered small-time, family businesses are hot. There is money to be made on them, and service providers of all kinds—from lawyers and family therapists to universities and management consultants—are reaching out to help family-business owners preserve their wealth, grow their companies, plan their estates and settle family disputes.

"Insurance companies, banks, accounting firms and the like are interested in family businesses because they represent the 'middle market,' by and large the most profitable market for the service provider," says Peter Davis, director of Family Business Studies at the University of Pennsylvania's Wharton School, in Philadelphia.

"What we're seeing now is just the beginning of a wave of attention to this phenomenon called family business," says Craig E. Aronoff, who holds the chair of private enterprise at Kennesaw State College in Marietta, Ga. "I'm convinced that in the early '90s, family

For family businesses, the years of being considered small-time are over. Service providers are reaching out to help family-business owners preserve their wealth, expand their companies, plan their estates and settle family disputes.

PHOTO: SCOTT GOLDSMITH

Somer, Jr., (with his father and his sister in the photo above) will take over the family's Keystone Ribbon & Floral Supply Company.

business is going to have the same sort of status that entrepreneurship achieved in the early '80s."

Family business offers what Lynn D.W. Luckow, executive editor of Jossey-Bass, Inc., a San Francisco publishing company, calls "a passionate market." Two years ago, his firm launched a series of books on family business for business owners and for consultants, academics and other professionals. When a reader discovers one of the books, he tries to find out what else Jossey-Bass has published on the subject, says Luckow.

There are two books in the series and a half dozen more in the works. Early this year, Jossey-Bass introduced the *Family Business Review*, the journal of the Family Firm Institute, a young organization of professionals who serve family businesses.

"Family businesses comprise the mainstay of our practice," says Benjamin Benson, director of Family Business Consulting Services of Laventhol & Horwath, an accounting firm with more than 50 offices nationwide. Only now, he says, is the professional community realizing that family firms need help in sorting out family and business issues. He is co-authoring a book on family business for Dow Jones-Irwin with a colleague, Edwin J. Crego, Jr., Laventhol & Horwath's director of organizational consulting.

The genesis of today's focus on family business began in the post-World War II years when so many young men returned home to inherit family businesses or start businesses of their own. Now they are reaching retirement age and, says John Ward of Loyola University of Chicago, a "massive amount" of businesses are passing from the first to the second generation as well as from the second to the third generation.

As touchy as it was, the matter of succession was easier in the past when it was generally assumed that a business would go to the oldest son. Now, notes Ward, succession is "up for grabs," with business owners more willing to consider a younger son, a daughter or even several children taking over. Business owners have more choices and are also more willing to seek help in making those choices.

The appeal of entrepreneurship has also rubbed off on today's college students, who are showing much interest in family businesses as opportunities to become owners of their own firms eventually, Ward points out.

The first issue of the *Family Business Review*, edited by Ivan Lansberg of Yale University, says that one common definition of a family firm is "a business in which the members of a family have legal control over ownership."

The *Review* continues: "If we adopt this definition, we must conclude that family business is the predominant form of business organization in the Western world. In the United States alone, 90 percent of all businesses, including corporations, partnerships and sole proprietorships, are family-controlled. Family firms produce half of the GNP and employ half of the nation's work force."

A study by Ward shows that 35 percent of the 500 largest companies in the United States are family-controlled; by "controlled" he means the family owns at least 30 percent of the stock.

The fact that family businesses are usually smaller, however, often makes them attractive to service providers, Ward says, because they are more like-

COVER STORY

Family Business: A Hot Market

Aiming to make his company "the premier investment banker to family businesses" is François de Visscher, vice president of Smith Barney.

ly to be growing than larger companies, and their service providers can grow along with them.

Take, for example, Spec's Music Stores, a Miami-based company that used the services of New York investment bankers, Ladenburg, Thalmann & Company, Inc., to go public in 1985. Since that time, the company has grown from 16 stores to more than 40, and sales have nearly doubled, from $16.6 million to an expected $32 million in the fiscal year that ended July 31.

But Spec's is definitely a family firm. Sisters Ann Lieff, president and CEO, and Rosalind Spooner, executive vice president, own more than 60 percent of the stock. Their father, Martin Spector, 83, who founded Spec's 40 years ago, is chairman and owns slightly more than 1 percent. Lieff's husband, William, is vice president of development.

Determined not to repeat mistakes of the past, business owners themselves are contributing to the increased attention to family firms. Carl R. Zwerner, 61, president of Glass, Inc., in Hollywood, Fla., has just contributed $500,000 to Georgia State University, his alma mater, to endow a professorship in family business. As a young man, Zwerner tried to work for his entrepreneur father, but the two did not get along, and there was nowhere they could go to get help in resolving their differences. So Zwerner left to start his first business in the glass industry 25 years ago.

"I swore that I would not have the same situation occurring with my son that occurred with my father," recalls Zwerner. But when his own eldest son joined him 15 years later, again there were problems, and again there was nowhere to turn for help. Zwerner redeemed his shares, left his son to run the company and started Glass, Inc.

Of the hundreds of customers he deals with, he says, about half are family businesses. "And I tell you frankly, there are squabbles in damn near every one. There are animosities. There are jealousies. It's unbelievable."

Zwerner expects the Georgia State professorship will include counseling for troubled family businesses, as well as research and teaching. "I just wanted to see if I could help keep other people from having the same problems I had," he says.

One of the difficulties in targeting family businesses as a market is that working with them requires so many skills. In fact, service companies often

PHOTO: WAYNE SORCE

ignored the family aspect of their clients in the past. Now there's a growing awareness that the family part of a family business—that is, the dynamics among family members and the emotions that accompany them—can be as important as the business itself. Neglecting this dimension can mean offering poor service or losing business.

Bitter experience taught Thomas B. Smith, a vice president in the Trust Division at Pittsburgh National Bank, that he and the bank needed to learn more about how families function if they were going to deal effectively with family businesses.

He cites the example of a retail bakery run by a husband-and-wife team for 25 years. After his wife's death, the husband experienced severe emotional problems. The business began to go downhill, and so did he. The man died a year later, leaving debts that exceeded assets. And he left four children, ages 19 to 28. Two were in college and two were working in the business but had limited experience.

"We gave them the best of our advice," says Smith, whose bank was executor of the father's estate. "We even brought in a management consultant to work with them to see if they could hold the business together."

But the bank had been brought in too late. The business failed, and its assets—plant, real estate and equipment—had to be sold. Each child was left with only $10,000 from the father's life insurance policies. The company's 60 employees lost their jobs. And PNB lost business because there no longer was any estate to manage. "The problems we've seen are created most often by lack of planning, be that good tax planning, good estate planning or good succession planning," says Smith.

But trust departments don't make money by cleaning up messy business estates, says Smith. "In fact, we lose money doing that." He and another Trust Division vice president, Richard S. Aronson, decided that the bank should do something to encourage business families to do better planning and to involve the bank in the estate-planning process, which typically includes the families' lawyers, accountants and other advisers. "If our advice is good and we do help them, they'll be more likely to involve us as a trustee or executor of the estate," Smith says.

But they also knew they needed some way to help families deal with personal issues that often hindered planning. Recently they joined forces with Barbara S. Hollander, a Pittsburgh family-business consultant, to present a series of family-business seminars and offer help with a number of issues, including financial and succession planning.

Among those who attended a seminar were siblings Lorie and Somer Obernauer, Jr., of Keystone Ribbon and Floral Supply Company, one of PNB's commercial customers. They were so impressed with Hollander that they and their father, Somer Obernauer, Sr., became her clients.

The Obernauers already had determined that the business would go to both Lorie and Somer, Jr. But Hollander has helped the family map out a schedule of things they would like to accomplish prior to making the transition to the children, who are in their 30s, says the elder Obernauer, 63. "Barbara has made us think about a lot of things," he says. "She's driving me crazy, but we love her."

The question of who will succeed the business owner is generally considered the overriding issue of family businesses. But they must face many other issues as well: how to handle sibling rivalry, what to do with less able relatives who look to the company to provide jobs, how to settle family differences about the goals and mission of

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the business. Such problems can be addressed with the help of objective, competent, outside advisers or through educational programs for family members.

Even families that seem relatively free of the relationship problems that plague so many family businesses must rely on consultants from time to time. Increased competitiveness means family businesses must be more professionally managed; bringing someone in from the outside is a way to do that.

HPM Building Supply of Hilo, Hawaii, for example, has survived two tsunamis, or giant tidal waves, one of which wiped out company facilities in 1960. It has also survived to the fourth generation. President Robert M. Fujimoto, 61, grandson of the founder, and his son Michael, 36, work together with ease and respect. Mike praises his father as someone who "has always advocated change and improvement."

The company has maintained growth and success through good strategic planning. In recent years it has expanded from lumber and building supplies into retail do-it-yourself stores. Father and son have also pursued a policy of fair treatment and development of non-

Campus Connections For Family Business

Responding to the growing interest in family business, nearly 20 colleges and universities now offer family-business programs.

Probably the first was the Wharton Family Business program, started in 1981 by Peter Davis at the University of Pennsylvania. Now called the Division of Family Business Studies, it offers educational seminars, consulting services and information materials for members of family firms. It also conducts research, and last year it introduced an undergraduate course called "Managing the Family-Held Business."

Gaining a reputation as one of the best such programs in the nation is the Oregon State University Family Business Program, started three years ago by an accounting professor, Patricia A. Frishkoff.

"Family business is becoming a focus of this institution," says M. Lynn Spruill, dean of the OSU College of Business. OSU holds an annual conference for family-firm members, conducts research and provides speakers for trade associations and professional organizations. It is also pulling together what is likely to be the country's most extensive family-business bibliography, for use by researchers and family firms.

Last winter, OSU introduced its first for-credit course on family-business management. Spruill says the course helps fulfill OSU's commitment "to work with our undergraduate and graduate students to convince them of the importance of the role of family businesses in the economy of this region and this country."

One of the most unusual programs is the Kennesaw State College Family Business Forum, in Marietta, Ga. It is limited to 50 firms; each pays a $2,000 annual fee to attend quarterly seminars, receive a quarterly newsletter and participate in research. Member firms vary in size, with annual sales of $1 million to $75 million.

PHOTO: RICK RAPPAPORT—BLACK STAR

With enthusiastic support from M. Lynn Spruill, dean of the business school, Patricia Frishkoff runs Oregon State University's highly regarded Family Business Program.

At Baylor University in Waco, Tex., Nancy Bowman-Upton heads the Family Business Institute and holds a family-business lectureship set up by the Streich family, which owns Gibson Products Co., Inc., a retailing firm based in Wichita Falls, Tex. The institute conducts research, publishes a quarterly newsletter and sponsors seminars and workshops.

A $500,000 grant has been awarded to the University of Cincinnati to establish the Goering Center for Family and Private Business. The Goering family has a lumberyard in suburban Cincinnati and is also involved in real-estate development.

This fall, Frank Hoy will join Georgia State University as its first professor of family-owned business. He moves from the University of Georgia in Athens, where he was director of the Small Business Development Center.

Starting September 1, Bernard H. Tenenbaum, formerly of the Wharton School, will head the new George Rothman Institute of Entrepreneurial Studies at Fairleigh Dickinson University in Madison, N.J., where he expects to launch a center for family business.

Washington and Lee University in Lexington, Va., offers an annual 4½-day seminar called the Institute for Family Business.

Program coordinator Robert Fure uses poetry readings and drama—this year, a performance of Arthur Miller's "All My Sons"—as tools to stimulate discussion among family members who attend. "Only great literature can convey the issues in all of their richness and in all of the ambiguity that is so provocative to our participants," he says.

Family-business programs in academic settings are not just an American trend. Last December, the Wharton School and the University of Tel Aviv jointly conducted the first family-business seminars in Israel. The Institute for Advanced Studies at the University of Navarra in Barcelona, Spain, recently established a chair in family-business studies. And family-business programs are now being offered at the International Management Institute in Geneva, Switzerland.

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Martin Spector started Spec's Music, Inc., with one record store in Coral Gables, Fla., 40 years ago. Spec's has grown since to more than 40 stores and has gone public, but daughters Ann Lieff, left, and Rosalind Spooner control the stock and run the show.

family employees and have relied on an outside consultant to help devise and implement employee programs. "The goal of the company is to be basically the best that we can be in terms of efficiency, productivity and profitability," says Mike Fujimoto, HPM's executive vice president. Pursuing that goal, HPM has grown to annual sales of $26 million and 152 employees.

PHOTO: BRIAN SMITH

Unusual alliances such as the one between Barbara Hollander and Pittsburgh National Bank are growing more common as the interest in family business intensifies. Genus Resources, Inc., a Boston family-business consulting firm formed two years ago, combines the talents of two lawyers and one psychologist. Hubler/Swartz, the Minneapolis consulting firm, already had staff members skilled in organizational development, law, human resources and other fields before it merged with McGladrey & Pullen.

First Interstate Bank of Oregon sponsors the Family Business Program at Oregon State University. Kennesaw State College's Family Business Forum has three sponsors—First Union Bank; Hirsch, Babush, Neiman and Kornman, an accounting firm; and Southern Business Research, a management-consulting firm.

The Family Firm Institute, which has its second national conference in Boston in October, brings together professionals from a wide variety of disciplines—lawyers and accountants who want to know more about family dynamics, for example, and marriage and family counselors and organization-development specialists who could benefit from knowing more about the nuts and bolts of running a business.

Smith Barney's François de Visscher scored a coup in hiring Léon A. Danco as the consultant to help develop and

Hiring A Consultant For A Family Firm

Hiring a consultant—any kind of consultant—can be more complex for a family business than for a nonfamily firm. Family firms tend to be more wary of "outsiders," and conflict among family members can impede the effectiveness of consultants.

But by taking some steps in advance, you can increase your chances of satisfactory results, says Thomas E. Dowling, senior partner of Dowling Consulting Services, Inc., in Corvallis, Ore.

First, call a meeting where family members can discuss why a consultant is needed and what concerns they may have about bringing in an outsider.

Family businesses are often very secretive, and family members must decide whether they are prepared to give consultants the information they need. "A consultant's usefulness is going to be based on the ability to gather information," says Dowling.

Ask yourselves if you are willing to examine the status quo and to commit yourselves to changes once the consultant's recommendations are in.

If not, says Dowling, don't waste your money. "The bottom line for any outside consultant is some kind of change."

Here are some other measures that Dowling suggests:

- Set up project objectives; decide what you want to achieve.
- Determine a project budget. Include not only the consultant's fees but also set aside funds for implementing recommendations. (Consultants' fees can range from $500 to $2,000 a day, plus expenses; their hourly rates can be $65 to $110, plus expenses.)
- Prepare employees adequately, making sure they understand what the goals of the consulting engagement are. Otherwise they may fear that your reason for hiring a consultant is really to sell the business. Or they may be reluctant to be open with a consultant for fear of betraying the family.

When you are ready to hire, look for experience as well as expertise. You expect a computer consultant to have technical knowledge, but he or she should also understand family-business dynamics.

Ask for references, and when you follow up on them, ask if the candidate is good at mediating conflict and pulling people together.

Keep in mind that consulting services are advisory in nature, says Dowling. It is up to the owners of a business to decide "what is appropriate for implementation and what is not."

Finally, you and your family must ask yourselves if retaining outside consultants will strengthen both the family and the business. "This," says Dowling, "is a key evaluation criterion."

Consultants On Tape

A detailed discussion about hiring consultants and using them effectively is available in the form of an audiocassette tape of a presentation made by Thomas Dowling at Oregon State University's Family Business Program in April.

The tape is available for $8.70 (plus 6½ percent sales tax for California residents) from On-Site Taping Services, 6942 Cantaloupe Avenue, Van Nuys, Calif. 91405; (818) 786-1941. Ask for tape No. 14, "Utilizing Consultants: Special Considerations for Family Business," from Program No. 2039-90.

Although HPM, a building-supply company in Hilo, Hawaii, is family-owned, Robert Fujimoto, right, and son Michael believe in running it as professionally as possible and are not afraid to call on outside consulting help to do so. Mike represents the fourth generation of the 61-year-old firm.

PHOTO: KEN SAKAMOTO—BLACK STAR

launch the company's family-business effort. Danco, sometimes called the "grandfather of family business," was the first to champion family firms when he began consulting with them in Cleveland 26 years ago.

"Danco will tell you he's spent his full career keeping investment bankers away from family businesses," says de Visscher. That's understandable, he says, because Danco has devoted himself to helping families keep the business in the family while, typically, investment bankers have offered only two "exit strategies"—going public or selling a company.

But de Visscher says his firm is prepared to help closely held companies look at several options to help them reconcile the capital needs of a company with the liquidity needs of family members and to deal with other financial issues that beset family businesses.

The reason Smith Barney brought in Danco, says de Visscher, "was really to help me understand better how we can approach family business and how to market a service of an investment banker that typically has been viewed very negatively by family businesses."

An interview with Danco is featured in the company's luxurious-looking brochure, "Successful Financial Solutions for Family Business."

Danco also has agreed to host a series of television programs on American family business. The series is being done by West German journalist Norbert Paul Engel, who owns a company called Pontes Films. He plans to profile up to 20 families and hopes to have the series on public television next year.

Is all this attention good for family business? Rosalind Spooner of Spec's Music in Miami thinks so. She attended a 4½-day family-business seminar at Washington and Lee University in Lexington, Va., last year, and, like many who attend such seminars, she found that the issues in her family's business are not unique. "I'd never been around so many people who had the same kinds of problems," she says.

Many in family businesses used to think that theirs was the only family whose members had disputes with one another, whose father and son had difficulties getting along, or whose mother became too involved.

But, as John Ward puts it, people in family businesses are finding that "they are in a very typical situation and that the challenges they face are predictable and understandable and that they can begin to talk about them, think about them and deal with them, rather than think there's something wrong with themselves."

One of the disadvantages of the surge of interest in family business, cautions consultant Barbara Hollander, is that "when something becomes a hot number, it draws to it people who are looking at the marketability of the service rather than its quality."

But the advantages outweigh the disadvantages, she says. "Family businesses will survive better, longer and more productively because of what we know now and how they're using what we know." NB

COVER STORY

Selling Father's Painful Legacy

By Jean K. Mason

Family business may be the backbone of America, but it also can be the repository of unresolved family tensions and conflicts—conflicts that can create obstacles to achieving even the most reasonable goals.

Selling the family business might seem like a reasonable goal. But, as I was to learn, selling a generations-old, privately held company poses challenges far different from those of the immense, newsmaking corporate transfers. The headlines suggest that selling a company is a common event with a set course of action and with experts at hand. But for me, selling the business that my family had inherited was a once-in-a-lifetime event.

As a psychologist, I knew little about the myriad procedures that would be required. Nor did I know that I would become an integral part of the sale process. I did know that I needed more than financial wizards; I needed a reliable adviser—a Sherpa—to guide me through this complicated, emotional maze.

A century-old company, I came to realize, has not only a financial, personnel and product history, but also a family history. My family's decision to sell our father's legacy was agonizingly hammered out not in the boardroom but in my kitchen. The decision was the culmination of years of guilt, anger and resentment as well as pride, profit and achievement.

Along with my brother Ray, in London, my sister Joyce and mother's two trustees, in Boston, I "controlled" 49 percent of the 180,000 outstanding shares of a metal-fabricating company in Missouri. But long before we could approach the market, tightly enmeshed business and family relationships had to be untangled.

It was in March, 1981, that I joined the board as the only family member among nine directors of the company. In its early decades, the little hardware and cornice shop had provided a modest living for three partners. But by the end of World War I, it was barely supporting my father's widowed mother,

Jean K. Mason is a psychologist, consultant and free-lance writer in Cambridge, Mass.

PHOTO: RICHARD HOWARD

Author Jean Mason and "Sherpa" Murray Beach met frequently in Mason's kitchen to unsnarl conflict over the family business, shown on opposite page in a 1925 photo.

uncles and cousins in their German-immigrant community.

My father—ambitious, hardworking and humorless—stepped in at age 20. With great energy and budding talent, he expanded the company's manufacture of tinware, doors and gutters to include products with complex metal-bending requirements.

Slowly, debts were retired, and the company was relocated to larger quarters several times. In the 1920s and 1930s, my parents bought the relatives' stock as rapidly as their Depression budget permitted.

Father, a self-made man, breathed fire into the tiny job shop. By World War II, the company was producing parts for automobiles, farm machinery, vending machines and appliances. What remained a well-guarded secret was that its president's personal and domestic life was deteriorating. Not an unusual story.

The year 1941 ushered in a decade of events that had an impact on the company and the family into the 1980s. Father gave 53 percent of the stock as gifts in equal amounts to his wife and three minor children. It was an act of panic designed to shelter income, mandate continuity and ensure succession. But in return, he demanded of us unquestioning loyalty and prompt return of his stock "if I should so much as ask." My teenage protests went unheard; with characteristic Prussian determination, he asserted total authority over his wife, children and employees.

But he miscalculated the extent of his control over his children. One by one, we refused to submit to his commands—"Return the certificates in the next mail!" or "Arrive here tomorrow to apologize in person for your defiant disrespect!"

Any illusions of a smooth transfer of power were dispelled once and for all when his only son flatly refused Father's enticements to join the company. Then, regretting his largess, Father arbitrarily rescinded some of his gifts of stock, which later were restored by a court. And, according to his fluctuating affections, he augmented others. In a final act designed to exclude his children, he created a voting trust, to which he assigned his own, his family's and his executives' stock. For 25 years, the company would be run by an in-house committee of five.

Longstanding marital tensions ended in my parents' divorce and a bitter financial settlement. My father twice re-

Selling the business that my family had inherited was a once-in-a-lifetime event . . . I needed more than financial wizards; I needed a reliable adviser—a Sherpa—to guide me through this complicated, emotional maze.

married, acquiring along the way another child, a stepsister I did not meet until 1985. Father's death in 1951 ended a decade of upheaval that, for him, included illness, drug abuse and alienation of his children.

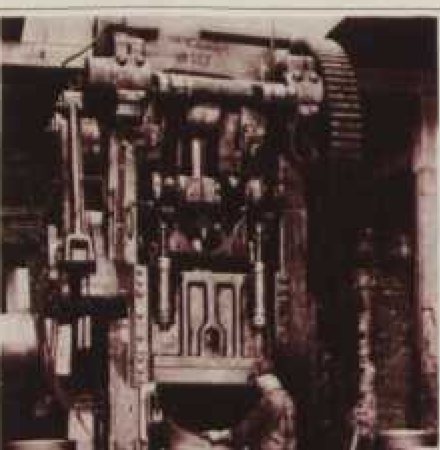
The family dispersed: Father's competent associates dealt with postwar prosperity and the reality of managing a company controlled by nonvoting absentee owners. Joyce, Ray and I, as well as the trustees for our mother—now a nursing-home resident—received our small but welcome quarterly dividends. The company grew to three plants and 400 employees. Professional management replaced the committee. Our stock appreciated.

In 1981, I became a director. I was 57, a clinical psychologist, a consultant to Boston-area schools, an amateur cellist, a mother of three, wife of a Harvard Medical School psychiatrist and filmmaker. My knowledge of the metal-stamping business amounted to what I had learned in my childhood and from occasional visits and attention to company affairs in later years.

I would love to know how I was first viewed by my eight prestigious colleagues on the board; I was the Eastern liberal female facing a staunchly conservative Old Boy Club. In the beginning I was called anything from "Babe" and "Little Girl" (by my father's generation) to "Dr. Mason." In time, titles and pejoratives dropped away. I became "Jean" to management, employees and directors alike. To them, I represented a unified family.

My goal was not to sell the company but to improve communication between management and family. No one knew that I spoke not for our then-53 percent but only for my 10 percent. My sister, brother and I were having profound differences. One wanted to sell at any price, one wanted to sell only at a "good" price, I was unwilling and unable to set an arbitrary value on my stock.

My first priority was to locate an informed adviser, a reliable numbers-cruncher to help me chart a sane course in the midst of family demands, company policy and the inevitable politics. I failed. One candidate eyed employment, while several were overspecialized, and another leapt to sell the business.



Without an adviser, I settled into a three-year apprenticeship, faithfully flying to meetings six times a year, watching, participating, learning.

The company's sales peaked in 1981 at $26 million and began to drop. Record projections became losses. Dividends vanished in the steadily worsening climate for manufacturers of durable goods. Our customers—Caterpillar, Emerson, IBM, National Vendors and others—were losing market shares to international competition.

Meanwhile, my childhood admiration for my father's achievement, long dormant and overshadowed by family conflict, resurfaced. I loved the plant and its nearly miraculous metal-shaping facility. A consultant myself, I observed my company with keen interest and I started monitoring the growing fees paid to consultants—first a national firm for long-range planning, then a local academic to help implement these plans, then an engineering survey.

Consultants multiply in proportion to an organization's distress. My company was in trouble!

Joyce, Ray and I owned, controlled or influenced the holdings of three generations—our own shares, stock belonging to my children, and our mother's trusts. But by fall 1984, sibling rivalry loomed. Pressing for higher dividends or divestment, Joyce and Ray banded together to object to my strength-in-unity strategy. They were thinking about selling their stock independently. Over the years, Ray had already made a few sales to employees, reducing our formerly slight majority to 49 percent.

Still without real consensus, we at least agreed—in my Cambridge kitchen, connected by speakerphone to Ray in London—"to explore our options." For a generation about 60 years old, estate planning was a must.

Absentee ownership had eroded management effectiveness, in turn further burdening us. Small crises warned of more severe ones to come. An aging management would soon need to be replaced. New money would have to be found to fund capital improvements in an aging plant.

In conference calls and face-to-face confrontations, we argued over choices—stock-purchase plans, employee stock-ownership plans, family management, abdication by passing the dilemma on to ill-prepared children. None of those choices was acceptable. Sale or merger were the only viable options.

After years of frequently bitter conflict, agreement to sell was our first unanimous decision. It brought relief and solidarity. In our new cooperative spirit, I approached our stepsister in Pennsylvania, who cheerfully joined forces with us for a 56-percent majority.

Still without advisers, how was I to implement the decision? Mother's trustees led us to Peter Ulin of Ulin Morton Bradley & Welling, Inc., a Boston investment-banking firm.

Peter's measured response did not match our hopefulness. "Yes, you'd do better to stick together, but 56 percent is not a safe majority. Don't forget those 88 minority shareholders. Since you cannot agree on price, why not obtain a preliminary valuation?" He gave me some names.

Murray Beach, then an independent consultant, was a young CPA with a master's degree in business administration. I liked his straightforward telephone manner and invited him to the kitchen.

The negotiating that began then about what was to become a $600 ap-

praisal job, with me as family intermediary, was to continue over several months. It became the testing ground for our coming collaboration.

Two issues had to be confronted: money and authority. Murray's fee for a confidential appraisal—based solely on data I possessed as a director—was the hurdle; consolidating the family and trustees into a paying entity was the challenge.

An underlying anxiety was the introduction of financial risk. The idea that preservation of capital would require personal outlay was a stumbling block for those who had never experienced reduced earnings.

Should costs be equally divided or prorated? (We owned amounts ranging from 13,000 to 26,000 shares.) Who would handle the kitty? How could we agree on a family representative with authority to negotiate along with Murray? Our father's unequal gifts revived old hurts and hostilities. Over coffee and speakerphone, we argued.

Emotionally drained, we emerged with a binding agreement to vest limited authority in me. Murray was pivotal to this process; he operated between family factions like a divorce mediator. His financial expertise was important; his mediating skills were essential. A pro-rata formula was developed for payment of the initial appraisal fee and for any subsequent consultation; a cap was placed on expenditures. In my new role, I employed Murray, who had joined Peter Ulin's firm.

The appraisal was crucial. A realistic price range at last replaced family disagreement over the worth of the company. That $600 report, the first joint expense we had ever negotiated on behalf of our investment, forecast our ultimate success.

This was no 9-to-5 job for Murray. The family crises and later those with management and with board members peaked at nights and on weekends. Murray set the stage early by saying: "Think of me as your family doctor. Call me anytime." Without that responsiveness, we might well have failed.

The two of us began mapping a sale strategy. The largest nonfamily stockholder was a woman whose late father had been president of the company and whose husband was a director; she held a significant 12 percent. She was always a silent presence.

Her husband, who was close to the president, had once mentioned initiating a partnership to purchase the family stock. I would approach him first.

Then, with or without him, I would gain board approval for a discreet but widely marketed offering—preferably handled by Murray's firm. Key employment contracts would be negotiated. We gave much thought to maintaining the reputation of the company and sustaining employee morale. Our goal was a sale in 1985.

> *I would love to know how I was first viewed by my eight prestigious colleagues on the board; I was the Eastern liberal female facing a staunchly conservative Old Boy Club. In the beginning I was called anything from "Babe" and "Little Girl" (by my father's generation) to "Dr. Mason."*

Organizing the family had been personally wrenching, but now, I mused, my part was over.

How wrong! For the next 18 months, we cautiously picked our way through a minefield. The novelty of family resolve altered the board dynamics. The board tentatively had agreed to the sale and took on responsibility for it—and for Murray's ongoing consulting fees.

But I did not have the votes to risk open confrontation when a minority, claiming not to oppose a sale, created obstacles. In procedural battles, it tried to halt payment of Murray's fees, rejected his valuation as highly inflated and fought for a local broker.

Within our adviser-client partnership, Murray and I worked diligently to gain broad support. Murray was the financial expert and understood how to work one's way through the intricacies of selling companies. My strength was familiarity with the chief players, the community and the history and culture of an old and closed enterprise. We learned to complement each other.

Extended phone analyses and in-flight postmortems after board meetings were useful. Murray challenged me: "You've got the power; now you must use it!"

Exerting power was low in my repertoire of skills, but I learned to use my authority and soon headed the board's executive committee. With Murray's help, I was able to face some unpleasant and blatantly angry confrontations. I not only survived but eventually enlisted the board's full support. In an ever-widening circle, we also sought the backing of current employees and of retired executives who held shares.

When the president's health problems and a deteriorating financial state of the company were detected, it fell to me to insist on a reluctant resignation, to suspend the sale process temporarily, head the search for a new CEO and expedite drastic cutbacks in operating costs. By April, 1986, a new president had engineered a rather remarkable turnaround, and sale was again the priority.

The backstage maneuvering was over. Murray and his firm could finally launch the sale program. Throughout dozens of flights, hundreds of telephone calls and intricate choreography, the partnership that Murray and I had developed provided the impetus that made a deal possible.

One potential buyer pulled out as I was flying to meet him. Another enthusiastically emerged, but we scrapped the written agreement when our major customer filed for bankruptcy. Veterans by now, psychologist and Sherpa renewed their efforts.

Finally, our company, slated to be the "flagship" in a metal-processing group, was purchased by a Chicago firm in September, 1986, at a price above book value—in fact, a price that some board members earlier had claimed was "inflated." The definitive agreement required proxies from 80 percent of shareholders; there were no dissenters.

With the sale, a number of financially enmeshed families were liberated to pursue individual courses. A company had shed its burdensome past and could look forward to a renaissance under its new ownership.

And the emotional baggage of generations had been confronted and unraveled. Ray, Joyce and I are no longer wrangling siblings polarized in an ugly triad. We are free to be friends. NB

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MANAGING YOUR BUSINESS

Make Sure Your Business Outlasts You

By Joan C. Szabo

Chuck Goetz's business partner died in an airplane accident when the commercial printing company they had founded was just 3 years old. Though the sudden loss of a founder's participation can cause financial uncertainties for a young company, Tumbleweed Press, in Westminster, Colo., survived its tragedy because Goetz and his partner had assured the continuation of their firm by planning their estates.

The fatal accident occurred "exactly one year after my partner and I had completed our estate planning," says Goetz, who runs the company, a profitable, $2.5 million firm with 25 employees. "I realized planning was the smartest move we had made while we were in business together. Thanks to the insurance we purchased as part of our estate plan, our bank and other creditors didn't overreact and tighten up the credit lines when my partner died."

Drawing up a plan for your estate not only can provide for the continued operation of your business, but also can minimize the federal taxes that might significantly reduce the amount of your survivors' inheritance.

Few small-business people realize that the highest tax likely to be assessed on their assets is the federal estate tax. Depending on the size of the estate, the federal taxes on the holdings that one leaves at death can run from 38 percent to 55 percent of their value, and the tax often is payable in cash within nine months after the death.

By law, the first $600,000 of an estate is exempt from the federal estate tax. (Every taxpayer has a credit of $192,800 on his or her estate, which offsets estate or gift taxes on up to $600,000 of assets.) The exemption is the Unified Transfer Credit, or UTC.

The substantial federal taxes applicable to an estate's assets above $600,000 can be minimized, however, through estate planning. In addition, planning can assure that an estate will pass to your heirs in the manner you desire, and that includes the passing on of a business to the next generation.

"An estate plan provides sufficient liquidity to fulfill IRS demands and avoid the unpleasant task of selling a business at a discounted value for tax purposes," says Barry Gimelstob, chief executive officer of the Financial Benefits Research Group, a financial-planning firm in Roseland, N.J. Estate planning also can assure financial security for survivors.

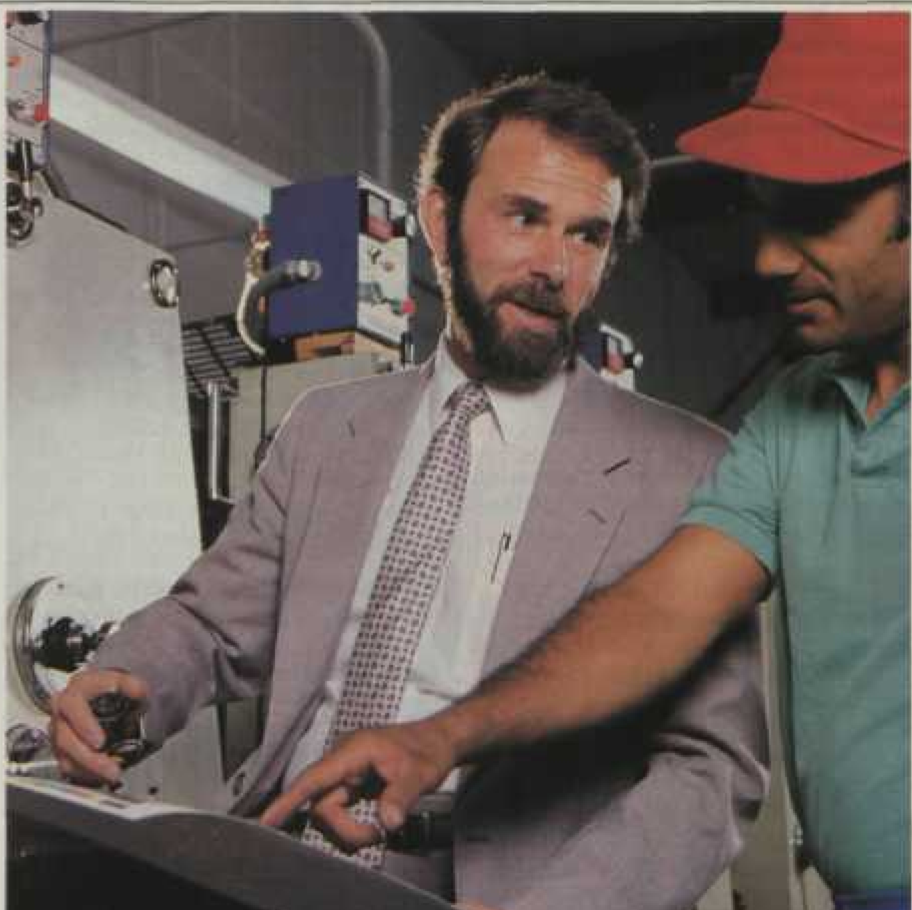


PHOTO: JAMES COOK

Tumbleweed Press' owner Chuck Goetz, at left with press operator John Gandomcar, says estate planning helped his printing company survive after his partner died.

An estate plan includes more than a will. In fact, a will may not guarantee that your plans will be carried out. "A will won't assure liquidity to take care of the various bequests you have," says C. Randolph Holladay, senior manager for Price Waterhouse's Executive Financial Services division.

"Few assets pass by will," says Richard Hartmann, vice president of Benefit Concepts of Colorado, Inc., a Denver-based insurance-planning firm for companies and individuals.

For example, homes, bank accounts, stocks and personal property that are held jointly with a spouse all pass to the surviving spouse by law, regardless of what a will says. Life-insurance proceeds, pension or profit-sharing payments and Individual Retirement Accounts pass to named beneficiaries, unless you designate your executor, estate or trust as beneficiary. That is why it is important to see that the title on property and other personal holdings conforms with your will.

An estate plan generally includes life insurance, pension benefits, property, a power of attorney, properly drawn trusts and a carefully prepared will.

Life insurance pays beneficiaries a lump sum, and policies can be structured so their proceeds are tax-free and can be used to pay estate taxes.

By drafting a plan for your estate, you can keep your business operating after your death and minimize the federal taxes that might reduce your survivors' inheritance.

Also important for an estate plan is a power of attorney, a legal document that permits another person to act on your behalf if you become incapacitated.

Trusts are used in estate planning to control the distribution and management of assets. Trusts also put restrictions on trustees to ensure that the funds in the trust are managed wisely.

In planning your estate, there are several tax-saving techniques to consider. One is tax deferral through the use of the marital deduction. It lets a person leave an entire estate to the surviving spouse with no estate tax due. An estate tax is due, however, at the death of the surviving spouse.

Another technique is to make proper use of the Unified Transfer Credit. If your estate is worth $600,000 or more, experts say, your holdings should be structured so that both spouses can take advantage of the UTC. This means dividing up large, jointly owned estates to give each spouse at least $600,000 in assets in the spouse's own name. In this way, a husband and a wife, each with $600,000 in separate assets, can pass their entire $1.2 million to their children or other beneficiaries tax-free.

One method often used to take advantage of the UTC for a married couple with a large estate is to divide the estate into two shares: a marital share for the surviving spouse, and a unified credit shelter share, or "bypass" share, for the children.

The bypass share is placed in a trust, which provides income to the surviving spouse for life; the principal then passes to the children. The trust is not part of the surviving spouse's estate.

The marital share passes to the surviving spouse outright. Under this strategy, no taxes are due at the first death. The assets of the marital share plus the separately owned assets of the surviving spouse are taxed at the second death.

Another technique is to establish a grantor-retained income trust, or GRIT. The person who sets up the trust—the grantor—establishes an irrevocable trust in which income from the trust is paid to the grantor for a specific number of years. At the end of that period, the property is transferred to, or continues to be held in trust for, the exclusive benefit of beneficiaries of the grantor, usually children or grandchildren.

The American Society of CLU [Chartered Life Underwriters] & ChFC [Chartered Financial Consultants] provides the following example of a GRIT. A business owner transfers $500,000 of

Drafting Your Estate Plan

Before drawing up your estate plan, your advisers will want to determine your long-range financial objectives.

The accounting firm of Price Waterhouse has come up with a list of questions often used to help fashion a personal profile for estate-planning purposes. The questions include:

What kind of lifestyle do you want to provide for your survivors?

What is your spouse's earning capacity?

If you and your spouse die, who should take care of the children?

Who should be responsible for paying bills and making financial decisions?

Who should manage the money for your survivors?

Who can run your business?

Are your children financially responsible?

Are you more concerned about providing an estate for your spouse or for your children?

How much will your heirs inherit? Prepare a list of your assets, noting whether they are jointly owned. Include retirement benefits and life insurance.

How much will your estate pay in taxes?

After you answer these questions, you can begin serious planning.

income-producing property to a GRIT. He chooses to receive income from the trust for a 15-year term. At the end of the term, the property will belong 100 percent to his children. A gift tax is due on a portion of the amount he passes on, but it is less than might be expected because the Internal Revenue Service discounts the value of the principal. That is because the children don't receive the use of the money for 15 years.

What is the value of the gift? Following a 15-year income term, it is about 24 percent of the $500,000 value of the property when it was contributed to the trust, or $120,000.

If the business owner survives the 15-year term and the trust property appreciates, say to $1 million, the GRIT has allowed the business owner to transfer $1 million of wealth to his children, and none of it will be estate-taxed at his death. The gift tax imposed was not on $1 million but on 12 percent of that amount. If the owner doesn't survive the GRIT's term, the fair market value of the property at his death is included in his estate.

"Business people owe it to their business, partners, employees and family to put their estate in order."

—Chuck Goetz,
Of Tumbleweed Press,
In Westminster, Colo.

Another estate-planning move is to undertake a systematic gift-giving program to reduce the size of your estate, and thus the tax bite. Uncle Sam lets you give children, grandchildren and others up to $10,000 a year tax-free. If you are married, your spouse also can give $10,000 per recipient each year, or one spouse may give $20,000 if the other spouse agrees. For example, a grandfather and grandmother can give $20,000 to each of five grandchildren and thus transfer $100,000 from their estate tax-free each year.

This arrangement assures that the money is passed on without taxes eating into the value of the assets. These gifts, typically deposited in approved trusts, are irrevocable.

Another factor in estate planning is a second marriage. A man who owns a business, is remarried and wants to leave his business to his children may encounter problems if his second wife wants to leave an inheritance to her own children from a previous marriage. Frank Weisz, president of Weisz and Associates, a Philadelphia law firm, says an estate plan should keep the second spouse's best interests in mind.

Weisz says a buy-sell agreement could make sure your family business goes to the intended heirs while providing liquidity to pay estate taxes and provide funds for the second spouse.

Under a binding, buy-sell arrangement signed by the owner, the business would be sold to the owner's children at the parent's death. The children would fund the arrangement by purchasing life insurance on the business owner so they could pay the estate the fixed buyout price.

Financial planner Gimelstob does not recommend a buy-sell arrangement for an estate worth less than $600,000. But he adds: "Most small businesses become worth over $600,000 if they are at all successful. In many cases, people who own them don't realize that they are worth as much as they are."

It also is important in second marriages to make sure any property that a business owner wants to go to his children is in their names and not held in joint title with a spouse.

An estate plan should be reviewed periodically. It should incorporate changes in your personal finances, your business and your family, such as marriage, birth of a child, divorce, death of a spouse, or inheritance.

The first and most important step, however, is to take the time to draw up an estate plan.

Although he and his partner drew up their estate plans when their business was still young, Chuck Goetz, of Tumbleweed Press, recalls that, "like most small-business owners, we didn't think estate planning was one of our priorities. But after my partner's death, I now believe business people owe it to their business, partners, employees and family to put their estate in order." NB

To order reprints of this article, see page 35.

WOMEN'S BUSINESS

Nurturing Your Firm Through A Baby Boom

By Pam Carroll

At Herrmann Advertising Design, 1986 is remembered as the Year of the Stork.

That year, four of the firm's nine employees would become mothers. And though the tidings stirred excitement for 33-year-old entrepreneur Judi Herrmann, they also caused her some worry.

How would her agency meet clients' deadlines with a staff reduced by maternity leaves?

Herrmann and her employees found ways to cope with the absences, and their efforts succeeded. During the baby-booming year, her 7-year-old agency in Annapolis, Md., designed $1.5 million worth of award-winning advertising for banking and commercial real-estate companies.

Herrmann's staff prepared initially to lose—temporarily—a production artist in February and the office manager in June.

To compensate for the upcoming absences, Herrmann hired another permanent production artist. Then, within weeks, the art director announced that she was expecting a baby in August. And not long afterward, the newly hired production artist announced that she too was pregnant, due in December.

"It was a stressful year. The office was extremely busy; days were long," says Herrmann.

"Maternity leave hurts a small company. In addition to being shorthanded, you can end up with a morale problem among the staff who are taking up the slack."

Herrmann couldn't offer maternity benefits.

"Most small businesses simply can't," she says. "I would have ended up paying for 40 weeks of maternity leave at the same time that I was hiring free-lancers in order to hold those jobs open. I just had to hope my people would be coming back to work."

The four women—Sharon, Valerie, Phoebe and Andre—worked until their respective labor days. At first, all except Andre came back after the babies arrived. Phoebe returned to a flexible schedule of four days a week. Sharon now does free-lance production work and illustrations for Herrmann, working almost full-time. But Valerie left after four months to open a day-care center.

Nevertheless, the advertising and design agency is healthier than ever, says Herrmann, and the experience has not dissuaded her from hiring other young women.

Pam Carroll is a free-lance writer in Washington.

PHOTO: T. MICHAEL KEZA

Judi Herrmann, holding her daughter Courtney and conferring with colleague Sharon Horstmann, devised ways to keep her Annapolis, Md., advertising agency productive throughout its "Year of the Stork," when almost half of the firm's employees took maternity leaves.

Pregnant Pauses

To help small businesses survive a baby boom, Judi Herrmann, owner of Herrmann Advertising Design, in Annapolis, Md., offers these tips:

- Plan in advance to cover the absences. Hire free-lancers if possible, or train other employees to fill in temporarily. If you don't, says Herrmann, staff burnout can result.
- Be sensitive to your other employees. Counter flagging morale with bonuses, flexible schedules, vacation time and other boosters.
- Rise to the "crisis" and the resulting changes as flexibly as you can. New parents will be plagued initially by child-care troubles, doctor visits and at least some lapses in concentration. Look for fair solutions to the disruption, and stay calm.
- Make it clear to your employees that talk about babies is fine—but not on office time.
- Establish some company policy on maternity—or paternity—leave and benefits. Decide how long you can afford to hold a position open and what compensation, if any, you will offer while the new parent is on leave.

Finally, there's no use fighting a baby boom.

"Better to join it," says Herrmann. Born Dec. 17, 1987: Courtney Tillett Herrmann-Dunn.

Hidden Figures On Women

Government statistics overlook up to two thirds of women business owners, according to a new study conducted by the National Association of Women Business Owners.

Internal Revenue Service statistics show there are at least 3.7 million women business owners nationwide, but these numbers reflect only sole proprietorships.

In surveying its 3,000 members, NAWBO found that only 33 percent of the 984 respondents owned sole proprietorships. Thirty-seven percent owned regular corporations, 23 percent owned S corporations, and 6 percent owned partnerships.

"Our survey shows that women-owned businesses are much larger than government estimates and are of increasing importance to our national economy in tax revenues and job creation," says Gillian Rudd, who is the immediate past president of NAWBO.

The study found that women-owned corporations in the survey had average annual revenues of $1,318,000, while average annual revenues of all the respondents' businesses came to $829,000.

Eighty-one percent of the women surveyed own service companies. The rest are in manufacturing or own retail businesses.

—Alison A. Knocke

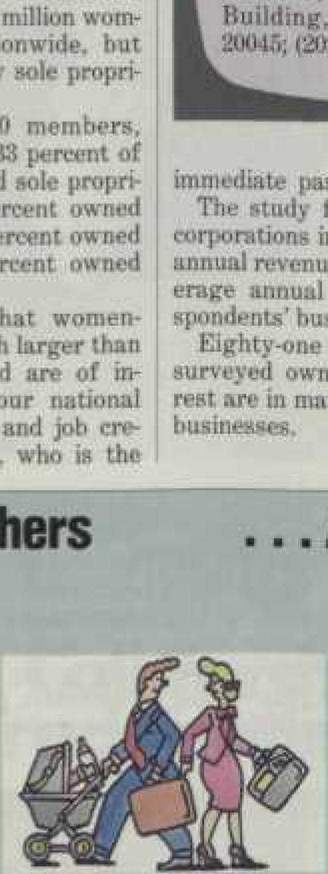
"Against All Odds," a video produced by NAWBO for congressional testimony on women's entrepreneurship, examines women's business ownership in the United States and the obstacles women face. For information on renting or buying the video, contact NAWBO, 927 National Press Building, Washington, D.C. 20045; (202) 662-7680.

Working Fathers

Domino's Pizza, Inc., has made a grant of $15,000 to The Fatherhood Project of Bank Street College of Education in New York to update its 321-page 1984 guide, *Fatherhood U.S.A.: The First National Guide to Programs, Services, and Resources for and About Fathers.*

The Fatherhood Project, founded in 1981 by James A. Levine, maintains that the "child-care problem" will never be solved as long as it is regarded as only a woman's issue.

Fatherhood U.S.A. lists books, films, courses and national resources on paternity leave, child custody and other policy issues. To be included in the update, send information about programs and services, plus a stamped, self-addressed envelope, to: The Fatherhood Project, Bank Street College of Education, 610 West 112th Street, New York, N.Y. 10025.



. . . And Mothers

Employed mothers who have no child-care problems and whose husbands share responsibilities for the children have a low incidence of depression, according to researchers at the University of Illinois.

In a national survey of 680 working couples, sociologists Catherine Ross and John Mirowsky, a husband-and-wife team, found that working women with children and with access to good, reliable child care suffer no more stress than childless women and men.

"The situation most detrimental to a wife's mental health is one in which she is employed, has young children, has difficulty arranging child care, and her husband does not share the child-care responsibilities with her," says Ross. Mothers make up the fastest-growing group in the labor markets, she notes.

Beating The Odds

By Nancy Croft Baker

When a working mother in Des Moines took a college course in computer basics, she was irritated by the discrimination her professor displayed. Susan Terry, 36, recalls: "He said to the women, 'Now, when you girls are working for someone, you'll need these skills.' But when he talked to the men, he said, 'Now, when you men own your own businesses . . .' "

One evening after class she accused him of reinforcing the idea that women don't run their own businesses. The professor reasoned that more men run their own businesses because they inherit companies from their fathers. Terry, president of SKT Construction, Inc., responded: "Well, I own a company, and I have two daughters. Who do you think will inherit my business?"

Terry's case is not unusual these days. Women are starting businesses at twice the rate of men, according to the U.S. Small Business Administration's Office of Women's Business Ownership.

The SBA and Avon Products, Inc., paid tribute to five women business owners at the second annual Women of Enterprise Awards in New York this summer. They were honored for overcoming obstacles to success.

Following are the women honored and the entrepreneurial achievements that earned their recognition.

Susan Terry started her construction company at age 23 while working as a secretary for a plumbing firm. "I saw building contractors coming in for supplies, and they were making a lot of money," says Terry. "They were also pretty dumb, and I thought that if they can do it, I can do it better."

Terry bought a book about home building, borrowed $5,000 from a friend, built and sold her first house and made a $2,000 profit. From there she went on to a successful business in commercial construction. Her company now employs more than 30 people.

Her husband, Wendell, was a plumbing contractor whose own business became a division of his wife's company. He was injured in a construction accident and died 10 days after Terry gave birth to their second daughter.

Perhaps the most difficult part of being a self-employed woman, she says, is competing against men for bids. "Wom-

ILLUSTRATION: BOBBI TOLL

en often don't get enough inside information about how to bid on a project," she says. "We're asking for a chance to fish in the pond. We're not asking for free fish."

Mary Winston, 64, president of Winston Janitorial Service, Inc., Indianapolis, grew up managing people. The daughter of an Alabama sharecropper, she had to quit school at age 11 to help rear 24 siblings and stepsiblings after her mother died.

In 1953, Winston started cleaning houses at night to supplement her income from her full-time job supervising a cleaning crew at a nearby Army base. Her moonlighting grew into a business, and her husband quit his job to help run the firm. When he died 11 years ago, she had 10 employees and a modest business. "People wondered what I was going to do because they thought my husband ran the business and I only managed it," says Winston.

Under her direction, the firm landed several government contracts and has grown into a 270-employee company with annual revenues of more than $3 million.

Laura Blaverde-Sanchez, 37, and her husband mortgaged all their assets five years ago to rescue a bankrupt sausage company in Vernon, Calif. Although the El Ray Sausage Company faced a $1 million debt and had a poor reputation for service, it turned around quickly under Sanchez's direction.

Sanchez began printing bilingual recipes on packages of gourmet Mexican sausage to attract Hispanic as well as non-Hispanic customers. She made persistent sales calls—despite initial rejection—at major grocery store chains to persuade them to carry her product. Finally, Safeway Stores, Inc., said yes.

"In my excitement, I thought the buyer said yes to 29 stores," Sanchez recalls. "But actually he said 229 stores with an order of 600 cases every week." That gave her the leverage to persuade other chains to carry her product, now sold in 12 states. Last year, El Ray generated $3.5 million in revenues.

M. Charito Kruvant, 42, president of Creative Associates International, Inc., in Washington, has firsthand experience in living in a strange country, and she uses it to help other companies learn how to manage an ethnically diverse work force. Her 75-employee firm provides other management-consulting services and grosses over $6 million yearly.

When she was 8, Kruvant fled with her parents to Argentina from a military revolution in Bolivia. She later attended high school in New Jersey as a foreign exchange student, and in 1968 she moved to Washington with her American husband.

Severely dyslexic, she often finds reading and writing a grueling challenge. She nevertheless devoted herself early in her career to teaching, and she established educational programs for minority children through government and private organizations.

Her experience as a foreigner and as a dyslexic taught Kruvant what it is like to be different. "I learned early that if I worked harder than everybody else, I could be part of the group," she recalls. Now she helps other companies understand the unique challenges of ethnic workers.

Sydney Stoeppelwerth, 50, of Prairie Village, Kans., refuses to let life's setbacks slow her down. "Everyone has a physical inconvenience sometimes," she says. "Some are just more obvious than others."

At age 19, Stoeppelwerth learned that she was losing her sight, but she resolved to fulfill her dream of being a teacher. Eventually, she became the only blind teacher ever hired in the Shawnee Mission school district in Johnson County, Kans. With that goal accomplished, she went on to a more lucrative career as an oil wildcatter.

"Since no one can see underground, I knew I had a fair chance to compete in the oil business by simply using my head," she says. With her life savings and some knowledge of the business absorbed from her family, she founded Stoeppelwerth Enterprises in 1977. Last year she also launched Tandem Routes, a motivational-lecture firm, which she plans to expand to include international engagements.

For Information On Trade Missions

One way to learn about and take part in exporting is to go on an overseas trade mission.

But according to the U.S. Small Business Administration, many women business owners just don't know about trade-mission opportunities or where to get the information.

To help correct that problem, the Small Business Administration is creating a database of women entrepreneurs interested in exporting or in going on a trade mission.

Their names and information about their businesses will be forwarded to the government agencies or departments that are sponsoring trade missions.

The agencies in turn will contact entrepreneurs about the missions that fit their businesses.

If you wish to be included in the database, write to the Office of Women's Business Ownership, U.S. Small Business Administration, 1441 L Street, N.W., Room 414, Washington, D.C. 20416. Include your name, the name of your company, address, phone number and type of business. NB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NFL Films Is Scoring High

By Glen Macnow

Back in 1976, the National Football League decided that Tokyo would be a great place for an NFL exhibition game. After all, a weekly program of football highlights—shot by the folks at NFL Films, Inc.—had long ranked among Japan's most popular TV shows.

Imagine how the Japanese would go for the real thing, league officials figured.

Imagine, indeed. Early in the game's second quarter, players heard a hissing noise—the Oriental equivalent of booing—from the stands, and it grew louder as the game progressed. Only after the game was over did the players learn why the fans had protested: The live action, slowed by huddles, timeouts and penalties, didn't match the unrelieved excitement the Japanese viewers expected as a result of watching the weekly highlight programs.

Glen Macnow covers sports business for the Philadelphia Inquirer.

NFL Films, Inc., has scored with top-selling sports videos, particularly its potpourri of bloopers, blunders, fumbles and other faux pas titled "Football Follies."

Never mind the real thing, Japanese fans were saying. We want our NFL Films version.

For more than 25 years, the people at NFL Films have been influencing the way the rest of us watch football. Their cinematic portrayal of the sport—a reverential, sentimental, often somber drama of colliding linemen, scrambling quarterbacks, quick receivers and screaming coaches—has furthered the marriage of football and television. "They may have done more to promote professional football than anything other than the games themselves," says Val Pinchbeck, the league's director of broadcasting.

Along the way, NFL Films has grown from three people laboring above a Philadelphia delicatessen to a staff of 140 working in one of the East Coast's most technically advanced laboratories. The company produces eight weekly cable television shows, plus regular segments for three major commercial networks and 10 one-hour specials a year. (The company's activities do not include live coverage of NFL games, which is handled by the networks that buy the rights for such coverage.)

This year, NFL Films' customized, $80,000 cameras will shoot about 500 miles of film—more than enough to stretch from the company's $21 million headquarters in the Philadelphia suburb of Mount Laurel, N.J., to the NFL Hall of Fame in Canton, Ohio.

NFL Films, Inc., changed the way we watch football on TV, says President Steve Sabol, by showing us the game "exactly as the players see it ... the sweat and the dirt and the blood."

NFL Films is second only to the U.S. Army in the amount of movie film it buys from Eastman Kodak, and it is one of the few production houses still using only film for shooting. Although film costs more than the videotape commonly used in TV news and feature programs, film produces images with greater cinematic texture and richness, according to Steve Sabol, president of NFL Films.

"Videotape is for journalism," says Sabol. "We are storytellers, historians. Film has a romance to it. If you saw 'Raiders of the Lost Ark' in videotape, it wouldn't have the same feel."

Many of the company's films, of course, are released in videotape versions for distribution to consumers with VCRs, much as Hollywood films are also made available on videotape.

Four of the five top-selling sports videos of all time were made by NFL Films. The latest version of the hilarious blooper collection, "Football Follies," is in 600,000 American households, largely because *Sports Illustrated* offered it as a subscription premium.

This year the firm will produce highlight films for all 28 NFL clubs, several Super Bowl films, a rather esoteric "Get the Feeling" series for sale through *Sports Illustrated* (with titles such as "Finesse" and "Power"), plus a dozen or so additional titles based on whatever subjects strike the fancy of Sabol and his creative assistants.

The company also shoots commercials, promotional tapes and rock videos; it has done work for Bruce Springsteen, Cindy Lauper and the rock group Journey. About 20 percent of NFL Films' work is unrelated to the NFL, Sabol says, "but the NFL is our bread and butter. We will never stray from that."

The 35 Emmy Awards that the company has won for achievements in television are displayed in Sabol's office. His desk is strewn with football cards and art books, and on one wall is an autographed photo of the late coach Vince Lombardi, now remembered in the Hall of Fame, who wrote: "To Steve, a real schmuck if ever I met one. Vince."

Walking the halls of his empire in Reebok athletic shoes, Sabol, 45, says that the story of the creation of NFL Films is "too corny to be believable." In 1962, Sabol's father, Ed Sabol, decided to link his future with that of the NFL. The senior Sabol, a retired overcoat manufacturer then in his 40s, pulled his old Bell & Howell movie camera from the closet and offered NFL Commissioner Pete Rozelle a then-outlandish fee of $5,000 for the movie rights to that year's championship game.

The elder Sabol had no filmmaking experience beyond shooting his son's prep-school games. But he knew that most football films—usually shot by one cameraman posted high in the stands at the 50-yard line—failed to capture the intensity of the action.

So "Big Ed," as he has long been known, hired free-lance cameramen to try something different in filming the championship game between the New York Giants and the Green Bay Packers. He ordered one cameraman to shoot in a way that would produce slow-motion footage, another to shoot only the players on the benches. He wrote a short script and set the film to music patterned on the theme of "Peter Gunn," a television hit of the time.

And he produced a classic. "Pro Football's Longest Day" was the first film to put the viewer along the sidelines, in the huddle, on the field up close to blood-splattered linemen. Rozelle called it the finest football film in history, and now, a quarter century later, he says he has seen nothing to change his mind.

PHOTO: NFL FILMS, INC.

One of the 13 cameramen shooting NFL Films' 15 miles of Super Bowl footage last January for a 50-minute, $19.95 video that reached stores within two weeks.

Ed Sabol, 72, spends winters in Florida and is chairman of the board. What he remembers most vividly about the company's first endeavor was the freezing weather—or, as an NFL Films narrator said, "the ice-bucket cold that enveloped Yankee Stadium."

"It was so cold—the wind-chill was 20-below—that the cameras kept freezing up, and the film kept breaking," the elder Sabol recalls. "We had a cameraman suffer from frostbite on his cheek. I got sick. In the end, we didn't know if anything would come out. We just hoped we weren't going to be embarrassed."

Steve Sabol now runs the day-to-day operations of NFL Films, but he stays involved in the creative end by writing and editing films. A former varsity fullback and art-history major at Colorado College, Steve joined the company in

NFL Films President Steve Sabol, right, recalls that his father, company founder and Chairman Ed Sabol, seated, told him in 1965: "You've spent six years on campus doing nothing but playing football and going to movies. You're perfect for this kind of work."

1965. "My dad said to me, 'You've spent six years on campus doing nothing but playing football and going to movies. You're perfect for this kind of work.'"

Two decades later, the company remains true to Ed Sabol's purpose: to portray NFL football the way Hollywood portrays war. As seen by Sabol's cameramen and as crafted by his writers, football is high drama—full of romance, pathos and glory. And hyperbole. ("Determination was etched in every Redskin face. A resolute gleam was in their eyes. These braves were about to blaze a season-long warpath.") But, hey, it's only a game.

"We've been accused of being propagandists for the NFL," says Steve Sabol. "When you come right down to it, that's true. We see ourselves as myth makers and the creators of legends. We don't deal with issues like drugs and strikes and gambling—that's for others to do. If you wanted a painting of an execution, you wouldn't go to Renoir, you would go to Goya.

"Look, I'm not saying those issues are not important, but we view football as the toy department of life. So if we get a little pompous or pretentious or silly or overanalytical, well, the fate of the universe is not at stake."

But that might not be apparent to anyone watching some of the company's classic films. Many of the best were narrated by the late John Facenda, a basso-voiced Philadelphia newsman whose work for NFL Films earned him the moniker "the voice of God." Today the company uses a dozen regular narrators.

NFL Films takes viewers right into the trenches, capturing football's ballet and brutality. The company's artistic trademark is the long, slow-motion shot of a spiraling football going all the way from a quarterback's fingertips to a receiver's hands.

"I think our success is to a large part based on our ability to show the game exactly as the players see it," says Steve Sabol. "We were the first to bring people eye-to-eye with the players—to show the sweat and the dirt and the blood."

And, of course, those grunts and clods are set to music, usually in the manner of Hollywood scores; Steve Sabol's heroes include the likes of Tchaikovsky and film-score giant Max Steiner, who composed, among other things, the musical score of "Gone With the Wind." Most NFL Films soundtracks are performed by a 64-piece German orchestra. The music is so popular

PHOTO: SAL DIMARCO, JR.—BLACK STAR

that NFL Films sells soundtrack records on the side.

Sam Spence, an American composer living in Munich, is paid about $300,000 a year to provide the music, which is written following periodic phone conversations with Sabol. "I just hum a few bars of what we're looking for, and he takes over," says Sabol.

After drawing artistic praise—but losing money—for his films of the 1962 and 1963 championship games, Ed Sabol decided he needed some financial assurances. So in 1964 he proposed to Rozelle and the 14 NFL owners that they buy out his company, then known as Blair Motion Pictures. Each club would make a one-time payment of $20,000. In return, the company, renamed NFL Films, promised to provide every year a championship-game film as well as films for each team of its season's highlights.

"Commissioner Rozelle, with his public-relations background, saw the value of the exposure that could come out of the deal," says league official Pinchbeck. "Looking back, it was about the best $280,000 the NFL ever spent. Of course, NFL Films hasn't done badly for itself, either."

In 1964, each NFL team received about $1 million in network television revenue. This year, each club will get about $18 million from the networks. How much of a factor has NFL Films been in this development? "Undeniably, a large part," Pinchbeck says. The company's zoom-in close-ups, close-in microphones and reaction shots, he says, "took the game farther than television ever used to. Then the networks emulated NFL Films and got much better at their work—although never quite as good as NFL Films. As the networks got better, more people started watching, and the relationship between the league and television blossomed."

While NFL Films is owned by the league, it is the NFL's most independent arm. It still provides the league with the films of the annual championship game and highlights. And it pays the NFL a royalty of 7 1/2 percent of gross revenues. But it operates with almost total autonomy.

"Basically, we report what we're doing to an executive committee made up of NFL owners," said Jim O'Brien, vice president and treasurer of NFL Films. "But we draw up our own budgets and decide how to invest our own profits. We have never received any kind of interference from the league."

O'Brien would not discuss sales and profit figures because the company recently contracted with an outside firm to market and sell its videos, he said. "It may look like our revenues are

down after that change, but we've just changed the way we do business." Other sources, however, estimate NFL Films' annual budget at $17 million to $20 million.

The company is less reluctant to talk about its work. Its flagship production is HBO's "This Is the NFL," which will soon begin its 25th season and is the longest-running series on cable television. Seven other shows run on cable or in syndication, and NFL Films also produces a weekly radio show.

The company's ninth regular television show will premier this fall on ESPN, the all-sports cable network. "The Dream Season," conceived by Steve Sabol, will feature hypothetical games between teams drawn from 20 of the greatest NFL teams of all time. Naturally, it will lead to an all-time, all-league championship game, and, naturally, NFL Films will sponsor a fan contest to pick a name for the final game.

Sabol is looking for a computer company eager to pay for the exposure of programing "The Dream Season."

But how does one visually create a game that never was? When the 1969 New York Jets challenge the 1984 San Francisco 49ers, how will NFL Films show Joe Namath and Joe Montana tossing the long bombs that the computer programs?

No problem. NFL Films' most-prized possession is its archives, an enormous room filled wall-to-wall with reels of film documenting every down of every game played in the NFL since 1948 and every championship game since the first in 1933. There is even earlier footage, including an 1894 contest between Princeton and Rutgers—Thomas Edison's third film.

Those archives constitute "the soul of professional football," the stored treasures of "football's wine cellar," Sabol says. "No endeavor in human history is as completely documented on film as professional football. And we're just honored to be the keepers of the archives."

The archives are computerized, so that within a few minutes, Sabol can sit before a giant viewing screen and watch Bronko Nagurski's final run from scrimmage or Joe Theismann's first NFL pass. The 2,359 runs of Jim Brown's career could be called up on the screen in about an hour.

The possibilities do not stop there. When Alka-Seltzer wanted a commercial that showed fans freezing in the stands, it called NFL Films, which—for a fee—punched a few commands into the computer and produced dozens of sneezing, shivering fans.

NFL Films' computerized archives—"football's wine cellar," Steve Sabol calls it—can serve up Bronko Nagurski's final run or Joe Theismann's first pass.

PHOTO: SAL DIMARCO, JR.—BLACK STAR

The company also has used its archives to produce films for former players desiring taped highlights of their careers. NFL Films has produced the tapes for players ranging from former Buffalo Bills quarterback Jack Kemp—a Republican U.S. representative—to Ray Schoenke, a lesser known offensive guard for the Washington Redskins. While Kemp was widely covered in his highly visible quarterback position, "Schoenke was difficult," says Steve Sabol. "There were not exactly miles of footage on old No. 72."

These days, the fastest-growing segment of NFL Films' business is the home video market. The company issues a glossy catalog of its products, and its success is indicated in the *Billboard Magazine* charts, which proclaim it as the producer of some of the best-selling sports videos ever.

"When people started buying VCRs," says Steve Sabol, "we knew it would be unbelievably good for us. But retailers felt no one would pay for sports that they got to see for free on TV, so they would not put us on the shelf.

"They'd have copies of 'Mondo Bondage' out there, but not our stuff. To this day I have to fight for shelf space in the stores. So instead we focus on mail order and promotional tie-ins."

One of the most successful tie-ins was the *Sports Illustrated* offer of a free "Football Follies" video for a paid subscription. "The promotion has been phenomenal," said a spokesman for Time, Inc., the magazine's publisher. "If anyone ever kept records on this kind of thing, this promotion would have broken every record."

Expect more promotions. And expect more innovations, like NFL Films' latest—the instant movie. Hours after the Washington Redskins beat the Denver Broncos in the Super Bowl in San Diego last January, 80,000 feet of film—the work of 13 cameramen—arrived in Philadelphia by jet. Director David Plaut condensed the film to 250 feet of highlights, baseball announcer Harry Kalas narrated it, and Richie Havens sang an original song for it.

Two weeks after the Super Bowl, stores in Washington were selling "Warpath," a 50-minute tape covering the Redskins' championship season for $19.95. "I think of it as a McMovie—the fast food of films," says Sabol. "We tried to get a film out there as fast as possible to capitalize on the frenzy in Washington."

By mid-May, more than 80,000 copies of "Warpath" had been sold for almost $1.6 million. But it may not catch last year's instant movie on the New York Giants' Super Bowl victory, which sold 120,000 copies in a few months, or the 1986 tape on the Chicago Bears, which sold 140,000.

The latest project is the "Get the Feeling" series sold through *Sports Illustrated*. The series is designed to analyze aspects of athletic competition, using innovative visuals to give the viewer a feeling of being in the game. The series' first tape, "Speed," includes appearances by Philadelphia Flyers goaltender Ron Hextall, retired Baltimore Orioles Manager Earl Weaver, Los Angeles Raiders cornerback Mike Haynes and drag racer Shirley Muldowney, all talking about an aspect of speed in their sport.

What's next for NFL Films? The company recently produced a 90-minute "home movie" of a cross-country tour by rock singer Springsteen. There are more rock videos to film and more companies seeking archives footage for use in commercials. "But the key has always been and will always be football," says Steve Sabol. He reaches behind his desk and pulls an official NFL ball off the shelf. Tossing it in the air, he says, "I live for football." NB

MANAGING YOUR BUSINESS

PC Software's Next Big Step

Enter OS/2, the new computer operating system to replace MS/DOS. It offers longed-for speed, features and friendliness.

By Karen Berney

PHOTO: COMPAQ CORPORATION

Imagine for a moment that you are a designer of software for personal computers. You want your software to be fast, friendly and rich with features. But when you give users more of one attribute, you have to give them less in the other two categories.

For instance, on-screen menus in English may make the user's life easier, but they also consume a lot of computer memory. That leaves less space available for speed and for features—the qualities that users usually demand more of as they become proficient in operating a PC.

That's the dilemma that has faced software programers since the arrival of the PC. The problem is that advances in PC software lag behind performance improvements in PC hardware.

Writing a software application from scratch is painstakingly slow. That is why there is usually a three-year gap between the debut of a new program and the next release of it containing significant improvements. Owners of recent model PCs are still waiting for the software that will unleash the full potential of their hardware.

But don't blame the makers of applications software. They in turn are limited by the guidelines of the IBM and compatible MS-DOS operating system; it is the layer of software that lies between an application and the PC and directs the traffic between the PC and external devices.

New software will make network systems faster and allow a number of people to work on the same material at the same time without interfering with one another.

MS-DOS can handle software up to 640 kilobytes. Software exceeding that limit, such as very large Lotus 1-2-3 spreadsheets and databases, have to be swapped on and off a hard disk, a process that slows down PC operations.

This "640 K barrier" forces the programer to make either/or decisions—to write programs that are either friendly but sluggish or fast but hard to learn.

Enter OS/2, and the shattering of the 640 K barrier. OS/2—which stands for operating system 2—will replace MS-DOS. It is designed for PCs using the Intel 80286 and new 80386 microchip processors. OS/2 gives programers a glorious 16 million bytes of memory, a 25-fold increase. That's ample for providing speed, features and friendliness. In fact, OS/2 is so large that it will be able to run many such programs separately or concurrently.

More memory is only half of the story, however. OS/2 includes an applications design tool known as Presentation Manager. It will enable programers to create software that has the "look and feel" of programs designed for Apple's Macintosh PC. Mac applications are launched and operated through pull-down menus and pictures that represent basic computer functions.

Presentation Manager should extend to the IBM world the same ease-of-learning advantages that have made the Mac increasingly popular in the corporate marketplace. (See "A Look At Apple's Mac" in *Nation's Business*, August, 1988.) Basic PC commands, such as moving, deleting and storing data, will be consistent across software programs, thus reducing the time it takes to master a new program.

What does 0S/2 mean for your business? The answer is very little for now. "Businesses do not buy operating systems," says William Zachmann, a senior vice president at International Data Corporation, a Framingham, Mass., market-research firm. "They buy solutions to their problems."

Nearly all the major software vendors have said that they will concentrate their OS/2 development efforts under the Presentation Manager umbrella. Shipments of OS/2 with Presentation Manager, at $395 a copy, are to start in November.

But "the really interesting OS/2 applications won't penetrate the market for another three years," says Robert Dickerson, vice president of new-prod-

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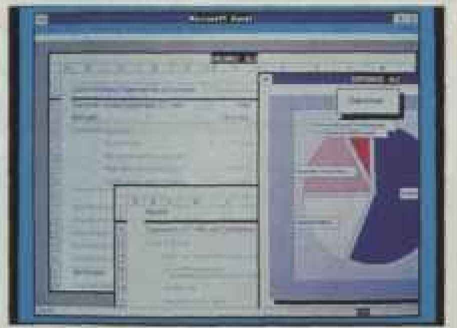
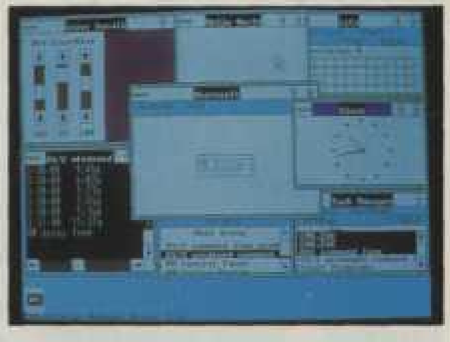
uct development at Borland International, a leading vendor of PC software.

Some experts also urge caution on OS/2 because of its cost. The bare-bones requirement to run OS/2 is a PC equipped with an 80286 or an 80386 processor. But IBM has said that Presentation Manager will not run as effectively on an 80286 PC as it will on an 80386 machine. So if you are just starting out or upgrading from an IBM PC or XT, your best choice is an 80386, or a 386SX PC. You can buy boards that upgrade a PC or an XT to an 80286, but for the $2,000 you would spend to do that, you could buy a new 80286 PC.

In addition, PC analysts say, you also must equip your PC with two to three megabytes of memory. Today's PCs come with a standard one megabyte of memory. "You are going to need that much memory just to load OS/2 in your PC when you turn it on," explains Jonathan Yarmis, director of PC computing at the Gartner Group, a Stamford, Conn., market-research firm. The extra memory is also necessary to accommodate the DOS "compatibility box." This piece of software is essential if you plan to run your old MS-DOS software alongside new OS/2 software.

The new operating system for IBM-compatible PCs includes Presentation Manager, center, which helps users get working quickly on elaborate programs with extensive graphics capabilities.





PHOTOS: MICROSOFT CORPORATION

Also count on increasing the storage capacity of your hard disk to at least 40 megabytes. Should you want to take advantage of the dazzling graphics that OS/2 with PM is supposed to facilitate, you'll have to think about buying a color graphics board and a high-resolution monitor.

Given the sizable costs of changing computing standards, many businesses are opting to stay put for now. They reason that, with more than 15 million DOS-based PCs in offices and factories, their software vendors are not about to abandon that market soon. "DOS is not dead, not by a long shot," says Wayne Erickson, CEO of Microrim, Inc., the second-largest supplier of PC database management packages.

Erickson says his firm is supporting both DOS and OS/2 products—as will most of his peers. Indeed, release 3.0 of Lotus 1-2-3, which will be on dealers' shelves this fall, can run on either OS/2 or DOS if your PC is equipped with a $595 memory board that extends DOS memory to 32 megabytes.

Jonathan Yarmis has seen the new Lotus product and is impressed. But since what has been improved and added is available under both OS/2 and DOS, he sees no reason to buy the OS/2 version. "Only when there are applications unique to OS/2 will I tell my clients to jump aboard," he says.

In the meantime, new classes of DOS applications continue to enter the market. Consider Lotus' new personal-information manager, Agenda. This $395 program lets you jot notes, make lists, track appointments, store phone numbers and file virtually anything. Its new feature is its ability to sort and cross-reference automatically each random entry as it is recorded, assigning it a priority based on guidelines you have set up. For example, a specific firm's name might be given the highest priority and assigned to the appropriate person or department responsible for that account.

By now you may be thinking: "Why should I care about OS/2? It won't be cheap. And what good is it if there is no software to realize its potential?" Nonetheless, you don't want to ignore the future. There is no question about the benefits of OS/2 or its overshadowing of DOS; the only question is how quickly there will be worthwhile applications for it. When they do arrive, many will be a breed apart and valuable to your business.

Here is a rundown of what you can expect:

Multitasking. Perhaps the most frequently touted benefit of OS/2, multitasking refers to the capability to run multiple applications simultaneously within the same program or between programs. Because of the memory constraint on DOS, today's PCs can engage in only one task at a time.

Why would you want to do this? Say you use a database management program to track inventory and sales, and you maintain customer and employee records. Every week you like to generate a report on the movement of last week's inventory. If that involved sorting through 50,000 items, your PC would be busy for a half hour, keeping you from doing anything else with it.

With multitasking, however, your PC could produce the report in the background while it runs another application in the foreground, such as updating customer files. "That gives a small business the kind of productivity gains that it can only get now by buying a couple of PCs," says Microrim's Wayne Erickson.

Dynamic Data Exchange. This is the computer industry's coined phrase for the process of exchanging data between two different applications. Philip Welt, product manager for Microsoft Corporation's Excel spreadsheet, of-

fered this example of how it works: While you're entering data into an Excel spreadsheet, the program is monitoring a select group of stocks. As stock prices change, Excel automatically recalculates the value of your portfolio, lets you see the changes in graphic form and then puts the information in a separate database program to be recorded.

"Applications like these won't be written by the user," notes Welt. "We expect to see commercial middlemen putting together very sophisticated systems" for sale as add-in programs.

Networking. If the PCs in your office are arranged in a local area network—connected to a central machine that allows PC users to share files and printers—you know that the system will not allow more than one person to access a network file. Everyone can have his or her own copy of the file and then transfer it back to the network, but that creates problems. With 10 different versions of a shared file in play, it is difficult to ensure that the most current version is always on the network.

In an OS/2 network, it will be possible for all PC users to work concurrently on a single copy of a file and not worry about transferring it back to the network. If, for example, you were to enter a new name into a database from your PC, the database would be updated at the central PC instantaneously. This would be a boon to work-group productivity, notes Jonathan Yarmis. It means "that you and I can be doing analysis against the same body of data." Currently, one user would be prevented from using that data for the duration of the other's task.

OS/2 networks will also work more efficiently than their DOS counterparts. For instance, say you want to see a file with 50,000 customer names in order to identify only those people living in Montana. The network would send the entire file to your PC for processing—again, a long job that ties up your PC for 20 minutes and locks out other users. Under OS/2, processing will be done by the central PC; if it is occupied, it will assign the job to the least taxed PC on the network. "The result is a much better division of labor," notes Yarmis, "that will manifest itself in enhanced productivity."

Software vendors see good things getting even better under Presentation Manager. The problem, however, is that they have not had hands-on experience with it, which makes it difficult to talk specifics. The industry does know that Presentation Manager will help it design more visual products, says Andre Peterson, executive director of marketing at WordPerfect Corporation. But beyond that, he says, "it isn't very clear what we will be able to do."

International Data Corporation's Zachmann, however, sees PM leading to word-processing programs that embody the concept of "WYSIWYG"—what you see is what you get. For example, instead of displaying a code telling the program to print italics, the program will be able to display the italics on the screen.

Yet even when Presentation Manager programs are widely available, not everyone will want to use them, Peterson says, because many people like to type. "We don't think they will necessarily want to give up the familiar for pull-down boxes and symbols."

Nevertheless, Peterson does believe that a standardized graphic approach to using PCs could improve the learning process. For this reason, WordPerfect hopes to be among the first on the market with a PM version of its product.

As the PC community prepares for a new era heralded by OS/2 and Presentation Manager, you can expect a period of uncertainty. "Each one of us is telling you that we have the strategic answer," notes Borland's Robert Dickerson. "The next few years are going to be tough for users."

Dickerson recommends that you stick with DOS and wait to see which hardware and software rise to the top. "I can't do that," he says, "I have to pick the winning platforms today," meaning that software developers must decide now which hardware and operating system to support in order to deliver products two to three years down the road. But customers, he contends, can afford to sit tight. NB

To order reprints of this article, see page 35.

MANAGING YOUR BUSINESS

A Loan Program For College Costs

ConSern, a private-sector, education-loan program, is filling an important need not met by most government programs.

PHOTO: JON RILEY—FOLIO

Graduation day: A possibility for thousands of college students, thanks to funds made available through ConSern.

As the doors of the nation's colleges and universities swing open this fall, the parents of many students are finding the task of financing a youngster's college education more difficult than ever.

College expenses continue to rise faster than the cost of living. Charges at public and private colleges this year are expected to increase an average of about 6 percent over last year, says the American Council on Education.

At the same time, business is emphasizing the importance of a better-educated work force. In fact, many businesses are eagerly looking for ways to help finance the costs of higher education for workers and their families.

One successful initiative is the private-sector loan program called ConSern. Within the past year it has begun filling an important need that is not being met by most government financial-aid programs, which often are available only to families with very limited financial resources.

Started several years ago in Washington as a local project, ConSern now is available nationwide. Under a recent effort by the U.S. Chamber of Commerce to extend the program to the business community, any company can participate in the program through membership in the U.S. Chamber.

"The growth of the program has been explosive under the partnership with the U.S. Chamber," says ConSern's founder and president, the Rev. John P. Whalen. There were fewer than 600 loans totaling less than $4 million in 1987, but ConSern expects to issue 15,000 loans worth $100 million this year. Loans could reach $150 million next year and $200 million in 1990.

By fall, through their companies' participation in ConSern, nearly one million employees and their families will be eligible to apply for loans, says Morna Conway, ConSern's senior vice president for marketing.

"The program is fast becoming an important employee benefit and a very affordable one," Whalen says. With ConSern, an employer can participate for as little as $25 a year, based on the number of employees.

Designed by a consortium of universities, backed by major financial institutions and administered by a nonprofit organization, ConSern makes loans available for a wide range of education-related expenses, including tuition, room, board, books and computers.

There is no family-income test. And ConSern's loan limits are higher than those for other education-loan programs. Under ConSern, a borrower can receive up to $25,000 each year, and up to $100,000 altogether. The borrower can take up to 15 years to repay.

The interest rate on ConSern loans is tied to the commercial paper rate, which is variable and historically far lower than the prime rate. The average ConSern loan interest rate during 1987 was 10.45 percent. The borrower pays a one-time discount fee of 3.5 percent to cover insurance on defaults.

Employer participation involves distributing information to employees and maintaining membership in the U.S. Chamber. An employer is not required to handle applications, process loans, guarantee loans, assume liability or do any administration.

The employee must pay $45 to apply for a loan. The student must be accepted or enrolled at least half time in courses leading to a degree or a diploma, must maintain satisfactory academic progress and have good credit or have a cosigner with good credit.

If an employee receives a ConSern loan and later leaves the company, the loan remains in effect even though the borrower no longer may be connected with a participating company.

Interest payments begin 30 days after the loan check has been disbursed. The borrower may defer repayment of the principal for up to four years while the student is in school. A ConSern loan may be repaid at any time with no prepayment penalty.

In 1989, ConSern expects to offer enhancements to the existing loan program. These include a fixed-payment option, a life-insurance option, education-loan consolidation and a home-equity option that would permit tax deductibility of interest charges. NB

For more information, call 800-338-7196, or write to U.S. Chamber ConSern: Loans For Education, 1776 Massachusetts Avenue, N.W., Suite 100, Washington, D.C. 20036.

Good Followers Are Worth Training

By Pam Carroll

PHOTOS: ROSS KENDRICK

At COPI, a printing firm in Houston, employees are encouraged to set their own goals and are expected to express ideas for improving company operations. These and other followership concepts, credited with helping restore COPI's profitability, were instituted when the business was purchased in 1983 by Andy Plata, president and chief executive officer, shown in the left foreground (wearing eyeglasses) with his firm's employees.

Are you going to be a follower all your life?

The question is rhetorical and would insult most people. But in many companies, workers' willingness to follow—their capacity for "followership"—is regarded as a virtue, not a weakness. Many companies bulging with middle managers are finding that those who can follow a firm's leaders rather than compete to become leaders themselves are important for maintaining stability in the business. More and more firms are encouraging followership to improve company performance.

The widespread American notion is "that leadership is the prize and that those who don't make the leadership grade are second-class citizens—followers," says Robert Kelley, adjunct professor of business at Carnegie Mellon University and president of the Pittsburgh-based Consultants to Executives and Organizations, Ltd. "But the reality of today's business world is that we can't all be leaders."

Pam Carroll is a free-lance writer based in Washington.

The popcorn machine at Andy Plata's company is both a snack maker and a symbol—of his firm's belief in "technology through people."

And not all should be leaders, Kelley adds.

Effective followers, unlike "blind sheep" or "yes" people, are those who really care about something—a cause, an idea, the company, the company's products, even the leader.

"Effective followers maintain their independence as critical thinkers. They are team players, up to the point where they think something unwise or unethical is being done," says Kelley.

Commitment becomes integral to the person's decision making and overall job performance, he says, and it may be highly valuable to the company.

"Because they care," Kelley explains, "effective followers are highly capable self-managers who require minimal supervision—a real cost-saving benefit. They feel involved and responsible for their own work, which makes them more productive. Effective followers are stimulating people to work around. Their commitment is contagious."

Recognizing the value of good followers, some companies are training employees in followership. For such train-

"Effective followers are highly capable self-managers who ... feel involved and responsible for their own work, which makes them more productive."

ing to succeed, corporations must adapt to a partnership concept of employee relations. They must make it easy for employees to contribute their ideas on company operations, and they must have ways to handle disagreements between supervisors and subordinates.

In addition, rewards and incentives must consistently reinforce effective followership. Too often, says Kelley, management sends mixed signals to followers: Some are promoted and rewarded with perks, others are fired and replaced with "yes" people.

Training people to be good followers has payoffs, Kelley says, citing the example of one of his clients, a Houston printing company named COPI. It was in financial trouble when it was purchased in 1983 by Andy Plata. As new printing contracts came in, salespeople began neglecting to service existing clients. Plata, president and CEO, instituted followership concepts, emphasizing the responsibility shared by all employees for the company's effectiveness and success. Workers were encouraged to set their own goals, and they were expected to state their views on improving company operations.

Plata reduced the number of middle managers, eliminated sales commissions—and some salespeople—and instituted a revenue-sharing program in which everyone from the CEO to the secretaries is paid according to the company's performance. Every employee must provide customer service that will generate referral business.

COPI's turnaround to become one of the most successful companies in the industry depended on a full commitment to the new style of management.

Similarly, results began to show up soon after consultant Robert Doyle of Portland, Ore., began introducing followership concepts through management seminars at Columbia Carolina Corporation, a producer of hardwood and plywood in Old Fort, N.C. Don Carter, personnel manager, observed less conflict and more cooperation.

"This is a long-term commitment, not a bandage," says Doyle. He advocates eliminating barriers between superiors and subordinates, and encouraging those lower on the company ladder to express their views on business operations—and those higher on the ladder to listen.

At Columbia Carolina, production workers are taking the initiative in seeking causes of productivity problems, are brainstorming solutions and are implementing corrective measures. Though results are hard to measure, Carter reports that rejections of company products dropped 25 percent shortly after employees were told that the level of such rejects had risen too high.

"Training effective followers demands an investment of company resources, but the returns are significant," says Kelley.

"Effective followers," Kelley says, "aren't watching the bottom line. They're looking at the top line—the maximum they can do to take the company forward." NB

PHOTO: SCOTT GOLDSMITH

"The reality of today's business world is that we can't all be leaders," says Robert Kelley.

PEOPLE

Making It

Something in the air—chimney smoke, island breezes, the aroma of fresh pizza—turns profits for entrepreneurs.

"Sooty Bob" Cleans Up

You could almost say that Bob Daniels, 42, a former chimney sweep, has swept his competition off its feet. His company, Copperfield Chimney Supply of Fairfield, Iowa, is the nation's largest distributor of supplies for the wood-heat industry, with 1987 sales of $8.5 million, up 27 percent from the year before.

In 1977, when he was a college teacher and administrator in Tulsa, Daniels read about the growth potential of the chimney-sweep business in an advertisement in *Popular Science* magazine. Wood-burning stoves and fireplaces were rising in popularity, the ad said, and that meant the number of full-time chimney sweeps would also rise.

Daniels bought a chimney-sweeping kit through the ad, and then, donning top hat and tails—the traditional garb of chimney sweeps—he took to the chimneys. He started by himself but soon hired two helpers. By the time he and his employees had cleaned a couple of thousand chimneys, "I knew the products and services involved in chimney sweeping," he says. "And I knew from firsthand experience how fragile and disorganized the whole industry was."

In 1978, Daniels and his wife, Susan, founded Copperfield Chimney Supply; they are still its sole owners. The company bought a product line of more than 500 items from 50 manufacturers and set up a wholesale distributorship, operating at first out of the couple's garage.

Daniels drew up his first mailing list from the names of sweeps in the Yellow Pages for other cities. For the first time, the nation's chimney sweeps could buy the products they needed—from chimney caps to brooms—at wholesale prices from one distributor.

Daniels wanted to do more than sell products, however. Starting in 1981, he traveled the country offering seminars on how to build a chimney-sweep business. He offered advice on promoting products, and he brought along technical experts to speak on practical matters such as relining chimneys and repairing masonry. "We believed right from the start that by helping our customers increase their business, we would be helping our own business," Daniels says.

Sweeps responded eagerly to "Sooty Bob," as Daniels calls himself in Copperfield's advertising and promotional materials. Copperfield's sales increased 50 percent in each of its first three years. In 1981, the Danielses moved Copperfield's headquarters from Tulsa to Fairfield, Iowa.

Shortly after the move, Copperfield opened additional distribution centers in Cleveland and Livermore, Calif. By 1984, the company was selling products and services to 8,000 chimney sweeps nationwide and had around 20 percent of the chimney-supply wholesale market.

As the business expanded, Copperfield's operating style changed. Even before the Danielses left Tulsa, Copperfield relied on a computer system to

PHOTO: JIM REEMSTRA—PICTURE GROUP

"America's love affair with wood-burning appears to have no end," says "Sooty Bob" Daniels, who built the nation's largest chimney-supplies firm by starting at the rooftop.

"Sooty Bob" Cleans Up

process orders. In Fairfield, calls placed to an 800 number were keyed into the system and transmitted to appropriate warehouses around the country.

Today, turnaround time averages two hours per order. More than 200 calls a day come into the Fairfield hotline. During the peak season, August to December, that figure rises to 600 calls per day. It takes 35 employees to handle Fairfield operations at that time.

Copperfield's product line has also expanded. Twice a year the company issues an 80-page catalog advertising its chimney-sweep products, including some made by Copperfield itself. Copperfield Chimney Products, Inc., a separate division set up in 1982, manufactures stainless-steel chimney caps, flexible chimney liners, fireplace accessories, chimney-rebuilding materials and even chimney deodorant.

Daniels continues to hold seminars around the country for his customers, and Copperfield now publishes a number of business-building aids, including on-the-job inspection forms, door hangers, repeat-business postcards and catalogs of Copperfield products that homeowners can buy through their local sweeps.

Copperfield has added a New Jersey warehouse, and the total number of employees nationwide has risen to around 50. An 11,000-square-foot corporate headquarters has just been constructed in Fairfield, under Susan Daniels' supervision. As the company's administrative vice president, she is mainly concerned with personnel matters.

"Chimney technicians face a bright future because America's love affair with wood-burning appears to have no end," Bob Daniels says.

"Today's homeowners realize that their sweeps can keep the home fires burning safely."

—Jeannie Woodring

Natural Selection

Stanley Selengut, 59, is a New York entrepreneur who patched together a modest fortune from real estate, construction and even handmade quilts. Twelve years ago, he visited the Caribbean briefly to relieve his high blood pressure. Today, his U.S. Virgin Islands enterprise, Maho Bay Camps, Inc., grosses $2 million annually. The sole owner of the business, Selengut pockets about $400,000 a year.

His concept was so simple that he wonders why more people haven't thought of it—or copied it.

"I was looking for a vacation in which I could be an active participant," he says. "I didn't care so much about maid service and telephones. I wanted a nice place to stay that didn't remove me from beautiful, natural surroundings. And I wanted to feel like I belonged, that I wasn't an outsider waited on hand and foot by the hired help. I just figured there must be others out there like me."

People like Selengut typically did not visit the tiny island of St. John. The island's only sizable hotel was the venerable Caneel Bay Plantation, where rooms now begin at $365 a night. For visiting mainlanders, the cheap alternative was a sandy tent on the beach at Cinnamon Bay, a campground run by the U.S. Park Service, which owns two thirds of the island. Except for a few private rental houses, there was precious little in between.

So Selengut took a 30-year lease on several hillsides overlooking Maho Bay, just around America Point from Cinnamon Bay. Today more than 120 tent

PHOTO: RAY PFORTNER—PETER ARNOLD, INC.

Vacationers relax in unspoiled natural surroundings at Maho Bay Camps, created for peace and profit in the U.S. Virgin Islands by New York entrepreneur Stanley Selengut.

cabins are tucked into the dense foliage on those hillsides. Almost all of them offer views of the cozy bay, of the private yachts that drop anchor there for the evening, of the sunsets and then of the night lights of the more metropolitan island of St. Thomas in the distance.

For $60 per cabin per night, high season, as many as four people can share canvas-walled, two-room furnished accommodations that include electricity, a propane stove, utensils, ice chest and a terrace for private sunning. Each cabin also has a house staff of lizards and partly tame tropical birds.

Selengut has achieved a 98-percent high-season occupancy rate without the benefit of an advertising campaign—he prefers it that way. Word of mouth is best for Maho Bay, he says, because previous guests help identify future visitors who are most likely to take to his idea of a vacation.

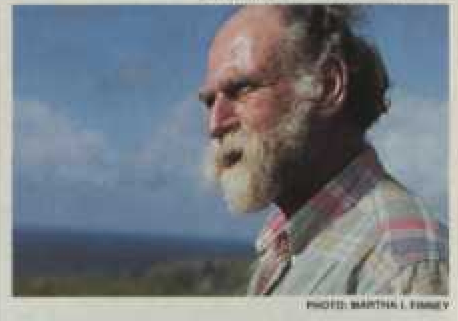


PHOTO: MARTHA L. FINNEY

Maho Bay is not for everyone. There is one public pay phone serving the entire campground—and it's best to use it during the day, because at night, rowdy tree frogs fairly drown out many conversations. The camp has no television and no air conditioning. The restrooms are in immaculate, modern bathhouses.

"I don't mind it when travel writers come back to the states and complain about the wildlife, the bugs and heat," says Selengut. "Readers who are turned off just won't come. I know there will be plenty of readers who will say, 'Hey, that's for me, let's go.'"

For Selengut's clientele, lizards are charming, tree frogs mysterious, and

nothing is better than falling asleep on a real mattress in a cabin brushed by cool tropical breezes and the sounds of the surf; air conditioning would muffle the rhythmic tumble of the bay.

Maho Bay's guests never really leave their natural surroundings, just as Selengut planned. Building materials were hand-carried into the jungle; no roads were cut to ease the way for construction machinery. Except for the permanent open-air pavilions where guests gather to buy food, hear lectures and share meals, the entire complex can be pulled up, folded down and carted away like a carnival.

"This is a wonderful example of how you can do things that are good for everybody and still make a profit," Selengut says. "You are selling natural beauty that you haven't destroyed. To tap into that, all you have to do is not mess it up."

Selengut also uses his business to support other entrepreneurial efforts. A retired Army officer and a young couple who had been high-school sweethearts in Boston take Maho Bay guests for sailboat cruises. Another couple runs Maho Bay's restaurant in the pavilion, and on Tuesdays a local family takes over the kitchen and offers the guests an authentic Caribbean meal.

Selengut runs Maho Bay Camps from his Manhattan townhouse off Fifth Avenue. That way, he says, he can enjoy city life and visit the islands every five or six weeks. He receives a monthly statement that details the campground's transactions.

"I don't worry about the business being so far away," he says. "I am very careful about the general manager I hire, and I make sure that everyone is committed to the simple philosophy of just being kind to each other. The rest falls into place." Naturally.

—Martha I. Finney

The Pizza Diplomats

Though the hammer and sickle won't be flying next to the American and Italian flags in front of Roma Food Enterprises in Piscataway, N.J., that doesn't mean the company lacks high hopes for its historic joint venture with the Soviet Union. On the contrary, Roma's founder and president, Louis Piancone, is proud to be the first to take American pizza to Moscow.

In March, Roma sent to Moscow a self-contained mobile pizza parlor that represented an investment of about $350,000. The 36-foot-long, 15-ton unit has computerized pizza-making equipment and a freezer stocked with ingredients for 19,000 pizzas. It was operated by five American technicians.

Since April, the unit has been parked for weeks at a time in various Moscow neighborhoods, making and selling pizza six days a week. In the locations where sales justify it, the mobile pizza parlor will eventually be replaced by traditional pizza restaurants. As Russians have been trained to operate the unit, they have replaced the Americans.

The venture was conceived by Shelly Zeiger, 52, a Trenton, N.J., importer and exporter. In July, 1987, he invited the mayor of Moscow's Lenin District (the part of the city that encompasses the Kremlin and other major buildings) to Trenton in an exchange program between the two cities. While in Trenton, the mayor and his delegation were treated to their first American pizza—Roma Food's Astro Pizza. "Of course, they loved it," said Zeiger. "And they thought the people of Moscow would love it, too." Piancone and Zeiger

PHOTO: T. MICHAEL KEZA

Louis Piancone, president of Roma Food Enterprises, has started selling "high-tech" pizzas in the Soviet Union and expects to open 25 restaurants in Moscow.

formed a partnership and went to Moscow last October to negotiate the joint venture, which is owned 51 percent by the Soviets and 49 percent by the Americans.

So far, more than 200,000 Muscovites have eaten Astro Pizza. The mobile unit's sales at every location it has parked in Moscow have been large enough to justify a permanent restaurant. The first, to open soon near the Kremlin, will have a "very American facade," Zeiger says, and will sell pizza and other American foods. Roma expects eventually to open 25 restaurants in Moscow, and more in other Soviet cities. American fast-food chains such as McDonald's and Pizza Hut will soon open outlets in Moscow, but Zeiger says the market is so underserved that "there's enough for everybody."

The venture is the newest direction for Roma Foods, the company that Piancone founded 33 years ago as an Italian delicatessen near Asbury Park, N.J. Piancone, 59, grew up on a farm in Corato, Italy, and came to the United States while in his 20s. His first job was behind a delicatessen counter; then he drove a dairy truck. When he spotted an empty store along his dairy route, he decided to go out on his own.

Piancone does not disclose sales figures for his privately held firm; he describes it as a national food-service company distributing supplies (everything from mozzarella cheese to ovens) to pizza parlors. Roma has 300 employees from New Jersey to Nevada.

Piancone for years has been intrigued by "high-tech" pizza. "My idea is to cook an old-fashioned pizza, with all the charm, beauty and taste of yesterday, in 4½ minutes," he says. It is this product, Astro Pizza, that Piancone and Zeiger are exporting to the Soviet Union.

For this experience, Russians are paying 7½ rubles (about $15) for a 16-inch pie, and the equivalent of about $1.85 for a slice. Twenty toppings—from traditional tomato and cheese to caviar—are available.

Another Astro Pizza mobile unit is going to China; it is scheduled to open in Beijing in October. "Next," says Piancone with a smile, "I'd like to bring Astro to Japan, Spain and eventually Italy." American pizza in Italy? "I go there often," says Piancone of his native country. "I am positive that American pizza is better than Italian pizza. I tell them I'll be there. And I will."

—Karen Rosenberg Caccavo

RISKY BUSINESS

Statistics show that many new businesses fail within a year. Most never celebrate a fifth birthday.

Fortunately, entrepreneurs pursue creative ideas despite the odds.

Business starts are now at twice the level of the '70s. Companies with under 100 employees create more than two-thirds of new American jobs.

Small business isn't small anymore. It's a critical segment of the economy, led by the power of new ideas and the untiring efforts of entrepreneurs.

Hard work is not enough.

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FRANCHISING

Franchisees' Support Systems

From management advice to moral support, franchisors' help for their franchisees can be crucial for success.

By Nancy Croft Baker

PHOTO: KEN SAKAMOTO—BLACK STAR

Thomas Harrer, a Maids franchisee in Hawaii, takes new franchisees under his wing to give them advice until they can fly on their own.

Franchising, in many ways, is like following a recipe. If the recipe is tried and true, merely following the instructions will yield a culinary success every time. But you can't do it without the right ingredients and the right tools.

Likewise, with the right mix of services from the franchisor, new franchisees find it much easier to build successful businesses.

Help with selecting a site, negotiating a lease and hiring employees are only samples of the kinds of support services that most franchisors offer new franchisees. But a much more important type of help for franchisees about to run a business for the first time is the reassurance that they will not be abandoned by the franchisor. Moral support from other experienced franchisees, along with access to franchise advisers, can be crucial for those about to take the plunge into franchising.

"Without the support we've gotten from the home office and other franchisees, we would not be as successful as we are—especially if we had started the business on our own," says Deborah Guggolz. Last year she and her husband, Carl, bought a Maids cleaning-service franchise on the Hawaiian island of Maui.

The couple, like all of Maids' new franchisees, is under the care of a veteran franchisee, who advises and guides new owners until they can manage on their own. This "big brother" program is perhaps the principal selling point in attracting new franchisees to the system, says Thomas Harrer, a longtime master franchisee on Oahu, the Hawaiian island that includes Honolulu. He was named the franchise's "big brother" of the year.

"One of the main questions that always comes up is how much support can they count on," says Harrer. "I tell them to call other franchisees to find out." The response to such queries, says Guggolz—who in turn has answered the same question for prospective franchisees—is that you can call on your big brother at any time of the day or night.

Harrer, for instance, has solved mechanical problems, settled labor disputes and given pep talks to new franchisees who, like Deborah and Carl Guggolz, had no previous business experience. Harrer recently saved the Guggolzes from probable financial disaster by helping them define the duties for which each would be responsible; their business-management problems had arisen when they began looking critically over each other's shoulders.

"Carl was criticizing my bookkeeping, and I told him that his quality control was slipping," says Deborah Guggolz. "We started doing each other's work, and that created a big conflict. The maids picked that up and didn't know whom to listen to."

Fortunately, Harrer stepped in and solved the problem with advice based on his own experience in running a maid service. "He probably saved our marriage, too," says Deborah Guggolz.

Another franchise that encourages franchisees to share their ideas and problems is the Car Phone Connection, a mobile-phone franchise in Parsippany, N.J. Every six weeks it throws a theme party at the corporate office for its 31 franchisees. Franchisees eat dinner together, play games and share ideas throughout the evening.

Larry Margolis, president of Car Phone Connection, also uses various incentives to motivate franchisees to build their businesses. For instance, for every phone that a franchisee sells, the franchisor puts $100 into the franchisee's personal advertising fund. While franchisees pay a 6 percent fee each month for the franchise system's re-

FRANCHISING

Franchisees' Support Systems

gional advertising, a franchisee may wind up with an additional $1,000 to $4,000 a month for local promotions.

For many would-be business owners, extra services like these make buying a franchise an attractive alternative to starting an independent enterprise.

Matt Pesselato, for example, had managed several fast-food franchises and liked the idea of owning his own restaurant. After seeing the support system at first hand, however, he opted to buy a franchise instead of going out on his own. Pesselato bought a Fox's Pizza Den franchise in Cranberry, Pa. "Now that I've been a franchisee for three months," he says, "I realize that support services are very valuable during the start-up years."

One service that Pesselato particularly likes is Fox's commissary at the franchise's headquarters in Monroeville, Pa. The commissary is stocked with all the supplies that a franchisee needs to run a pizza shop—from premade pizza dough to cleaning materials. A franchisee need only make up one shopping list and pay one supplier. Fox's even delivers the orders to franchisees' doorsteps. And because the franchisor orders supplies in bulk, the savings are passed on to franchisees. Of course, franchise owners have the option of buying from other suppliers, but they find they save more time and money at the commissary, says Pesselato.

In addition to providing support for his 145 franchise units in six eastern states, franchisor Jim Fox wants to take under his wing some franchisees who will need specialized attention. He has modified his pizza equipment and has designed a shop to accommodate physically handicapped owners.

Fox has worked with disabled franchisees, and he thinks he can offer a special opportunity for financial independence to other physically handicapped people. "I don't feel that this would work for everybody who's handicapped, but for someone who has been in an accident and is looking for something to devote his life to, this business would be ideal," says Fox.

He is working with rehabilitation centers in Pennsylvania to find prospective franchisees. "If I were confined to a wheelchair because of an accident or drunk driver, I would be bitter at the world," says Fox.

"If I could turn even one or two handicapped persons' lives around, it would be worth any effort." NB

Personal Management

To Your Health

By Carol Dilks

Pain Management: Making The Unbearable Bearable

Think about pain. Think about a piercing headache, or a stubbed toe, or a tight lower back that has you wincing with every move. We all experience such pains from time to time—but what kind of person would you be if you had to face that pain every day for the rest of your life?

For people with chronic, incurable pain, the days pass and hours tick away in moments barely endured. "My life was completely focused around pain," says William O'Donnell. After a car accident a year ago, a herniated disc in his back caused severe pain down both legs and frequent back spasms that forced him to lie down for over seven hours daily. It was impossible for O'Donnell, 29, to do his job as district circulation manager for the *Providence Journal* in Rhode Island, a job that called for long stretches of driving and a fair amount of lifting.

All pain starts as an important warning signal that the body has suffered some damage, but when pain is chronic, it has become a disease itself.

An estimated 80 million Americans suffer bouts of chronic pain. The largest number report recurrent headaches, lower-back pain and arthritis. Thousands more suffer from bursitis and tennis elbow, causalgia (pain resulting from a shock to the nervous system), neuralgia (also a nerve-damage syndrome), phantom limb pain and terminal-cancer pain. The National Institute of Neurological and Communicative Disorders and Stroke has estimated $60 billion as chronic pain's annual cost in lost work time, hospitalization, insurance, legal costs and disability.

Chronic pain often defies treatment. Medical facilities known as pain centers—a number have been set up in recent years—make no attempts to cure pain, since their patients have explored every available treatment before coming to them. These centers try to help patients come to terms with their pain.

Carol Dilks is a Philadelphia freelance writer.

PHOTO: JEFFREY REED—MEDICHROME

The pills taken to relieve chronic pain can sometimes cause pain themselves, so that the patient takes even more pills—in one case, an astonishing 28,000 pills a year.

After months of disappointment in his search for a pain cure, William O'Donnell contacted the chronic-pain treatment program at Miriam Hospital of Brown University. "They got me to shift my focus from the pain to getting back to work," he says. "They said things would get better, and they have. I am less sensitive to the pain, and I'm back at work."

No single therapeutic approach can accomplish all the goals, so pain centers generally use a mix. "We aim to get the person functioning again even though the pain doesn't go away," says Dr. Edward Aberger, director of clinical services at Miriam. "It is an interdisciplinary approach, where psychiatry, physical therapy, relaxation and family and occupational therapy come together to bring the person out of the incapacitation and isolation pain can create."

Some centers use biofeedback, meditation, ice packs, massages, yoga or hypnosis to decrease stress and so minimize aggravation of the pain. For many pain patients, however, the first step has to be recovering from the damage of previous treatments.

For Grace Watkins, 47, of Royal Oak, Md., this meant being carefully weaned from the staggering number of pain-relief medications she had been taking; she suffered from health problems that were caused by a fall from a horse and an automobile accident. By the time she checked in at the pain-treatment center of Johns Hopkins Hospital in Baltimore, she was taking more than 28,000 pills a year. The drugs that originally blocked her pain eventually caused their own painful symptoms.

Although Watkins' case was extreme, her situation was not unusual. According to Dr. Godfrey Pearlson, director of the in-patient pain-treatment center at Johns Hopkins (which also has an out-patient division), *most* patients share the problem of overmedication, as well as a lack of exercise.

In Watkins' case, doctors had to clear away all drug-induced pains and problems before her original pain could be handled. She continues to do exercises she learned at the center, and she is also a volunteer in the drug-detoxification unit of another local hospital. Now, she reports, she has "gotten out of the relationship with pain." NB

ILLUSTRATION: JOHN PACK

It's Your Money

By Paul N. Strassels

The Best From Your Banker

From a customer's point of view, the ideal banking situation consists of high-yielding, insured savings and checking accounts; low or no fees; low or no minimum balances; free checks; overdraft protection; lots of convenience; and easy approvals of loans for business, cars, investments and even a home mortgage. For your business, you may want payroll and tax services, a trust department and special arrangements for your employees.

Because of the fundamental changes now occurring in banking, you are probably closer to finding that ideal situation than at any other time in history.

Interstate and regional banking has been spreading for the past few years, and there is no sign that the trend is abating. One metropolitan area after another has watched as major financial organizations—anywhere from one to a half dozen or more—have come in, all vying for business.

What's more, many bankers are encouraging long-distance relationships. Nationwide, bankers are making their money-market accounts and certificates of deposit available by mail or phone.

Bankers aren't the only ones getting into the act. Merrill Lynch, Schwab and other brokerages continue to offer those popular asset-management accounts, which provide unlimited check-writing privileges while your balance earns market rates of interest.

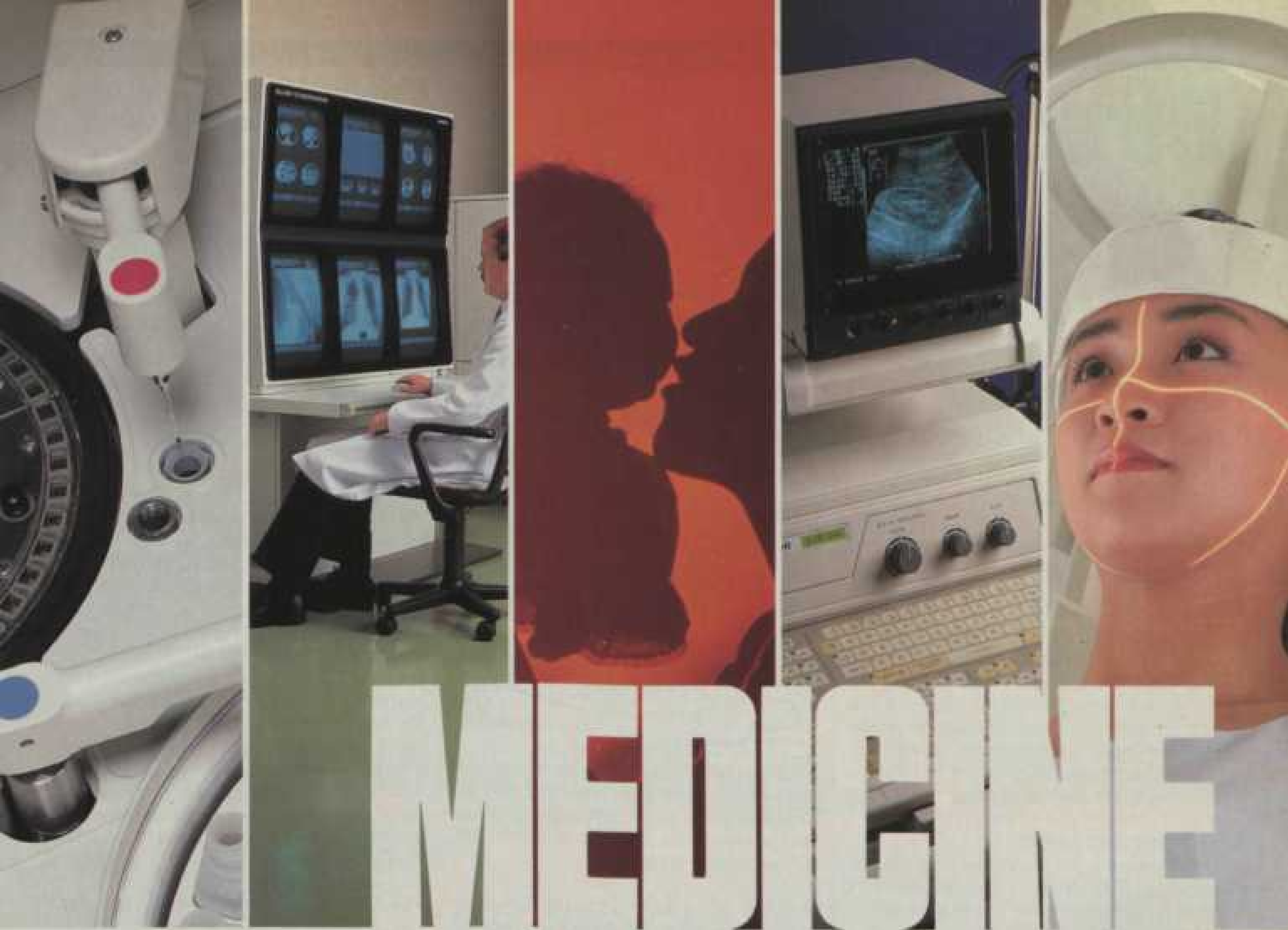
Local bankers (especially those with small and midsized banks) have fought hard against the spread of interstate banking, waging war on two fronts.

On one front, they have been largely unsuccessful. No one has stopped Citibank, Chase Manhattan, Bank of America and others from gaining a foothold in neighboring communities, cities and states. It is only a matter of time until national banking is the norm. Congress and the courts have not answered local bankers' pleas to stop the spread.

On the other front, many local bankers have been able to hang on to their clientele and have aggressively sought new business. To accomplish that, they have had to compete with the financial giants on an equal footing. That is why your local bankers are offering very competitive interest rates on your savings and on car, mortgage and home-improvement loans; equity lines of credit; better services; quicker loan approvals; and longer lobby hours. As a business client, you may have noticed that your banker has become much more solicitous. You are being actively courted.

Keep these points in mind as you review your current banking relationships:

- You will always need a local bank account for yourself and your business, if only for cashing checks. You may need to keep an account in order to rent a safe-deposit box. But there is nothing wrong with having bankers both locally and out of town.
- Keep your local banking contacts active. Don't use a drive-in window all the time. Introduce yourself to the bank manager and loan officer. Drop in sometime, so that when you want or need a favor, you won't be a stranger.
- Understand that there are trade-offs. If you borrow from your neighborhood bank but find you could pay less elsewhere, ask for an adjustment. If they say no, move the loan. There's no reason to pay more than necessary. If, however, your local bank isn't paying a competitive interest rate on your savings but is willing to grant you a loan that might not be made elsewhere, that's a trade-off that makes sense. NB



Hitachi's advances in medical electronics extend to automatic blood chemistry analysis, a Picture Archiving and Communications System, diagnostic ultrasonics and Magnetic Resonance Imaging.

Medicine should be more than the ability to treat or cure. The best care and treatment come from precise diagnosis.

Medical electronics have brought marvelous progress to diagnostic medicine in recent years. Great strides have been made in biochemical analysis, electron microscopes and medical information systems. Another shining example is the advent of imaging equipment which uses magnetic resonance to display even the most subtle changes in body chemistry.

Hitachi's scientists and engineers are now at work on an innovative system which will make it feasible to store, retrieve and use comprehensive diagnostic data from a wide array of imaging equipment — from the most sophisticated Magnetic Resonance Imaging units (MRI) to nuclear medicine, ultrasonic scanners and X-ray CT, to name just a few. This Picture Archiving and Communications System (PACS) should lead not only to more precise diagnosis but also to formation of research and education information networks which use medical image data to the fullest.

Hitachi is also developing highly advanced electronic microscopes for exploring the world of micro-fine objects — indispensable in basic studies of medicine and biology. And we are creating medical equipment such as an automatic blood chemistry analyzer and an information processing system.

We link technology to human needs. We believe that Hitachi's advanced technologies will result in systems that serve peoples' needs more precisely and fully than ever before. Our goal in medicine — and communications, energy and transportation as well — is to create and put into practice innovations that will improve the quality of life the world around.

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MANAGING YOUR BUSINESS

Direct Line

Helpful hints on how to open a bridal shop, start a greeting-card business and sell the 'Skins overseas.

Opening A Bridal Shop

I am interested in opening a women's shop specializing in wedding and bridal gowns. How would I go about contacting potential suppliers and manufacturers?
P.S., Lancaster, Ohio

William Heaton, executive director of the Bridal Apparel Association of America, suggests you write to him at 510 Montauk Highway, West Islip, N.Y. 11795. He will forward your request to the 30 or so leading companies that design and make bridal wear.

Heaton says the bridal business has never been stronger. The approximately 6,000 bridal shops across the country ring up a major share of the $7 billion a year spent on bridal apparel.

Designer Distributors

I am trying to establish my own designer upholstery-fabric outlet. Where can I find distributors who would service my area of South Carolina?
D.M., Charleston Heights, S.C.

For a membership roster of textile distributors, write to the National Association of Decorative Fabric Distributors, 3008 Millwood Avenue, Columbia, S.C. 29205; (803) 252-5646.

Special Delivery

I would like to start a courier service. Can you tell me where I can get information on how to begin?
H.H., Holland, Mich.

Perhaps the best way to start would be to talk with a courier service in another town similar to yours.

Find out about the business owner's experience in starting the service, including start-up costs, insurance and licensing. Learning about the pitfalls experienced by another business owner should help you in your own business venture.

For help writing a business plan and finding financing, contact your regional Small Business Administration office at 300 South Front Street, Marquette, Mich. 49855; (906) 226-1108.

Greetings, By The Book

I am starting a greeting-card business. Could you recommend any books that

ILLUSTRATION: WILLIAM COULTER

might help? Would you have any addresses of other greeting-card companies that have gone through the same sort of steps that I will be taking?
L.L., Address Withheld

The best place to start is the Greeting Card Association. It offers a variety of helpful materials, primarily audiotapes and booklets, including a 32-page publication titled "Starting a Greeting Card Business." The pamphlet contains information on legal matters, business planning, financing, marketing and distribution. The pamphlet is priced at $35 for nonmembers.

The "Greeting Card Industry Directory," which also is $35, contains names and addresses of greeting-card companies that you may wish to contact. The directory is cross-referenced by location, product types, brand names and key personnel.

A list of publications and audiotapes can be obtained by writing to the association at 1350 New York Avenue, N.W., Suite 615, Washington, D.C. 20005.

Adult Day Care

I am thinking about starting a small day-care center for the elderly. A feasibility study should be done, but I'm not sure exactly what it involves and if I can do it myself. Any suggestions?
S.S., Van Nuys, Calif.

Dorothy Howe of the National Institute on Adult Daycare, a nonprofit organization in Washington, recommends the organization's how-to publication, "Developing Adult Day Care," as a resource. It is available for $15, plus $2 for shipping, from the institute at 600 Maryland Avenue, S.W., West Wing 100, Washington D.C. 20024; (202) 479-1200.

The American Association of Homes for the Aging, in Washington, says there are no nationwide feasibility studies on adult day care, and it recommends that you begin your research at the county or city agency on aging in your area.

Selling The 'Skins Abroad

I would like information about how to start an overseas mail-order business. We have a Washington Redskins specialty shop and feel we would do well offering our products by catalog. Right now we have many names of interested fans, but we need more advice on prices, shipping charges, etc.
D.H., Winchester, Va.

The National Mail Order Association in Los Angeles suggests that you begin with books on the subject published by B. Klein, P.O. Box 8503, Coral Springs, Fla. 33065; (305) 752-1708.

Once you decide that catalog marketing is for you, the Direct Marketing Association, Inc., whose seminars and training programs cater to small businesses, can provide further assistance. Contact the association at 6 East 43rd Street, New York, N.Y. 10017; (212) 689-4977.

The American Association of Exporters and Importers can supply information on export duty fees for your products and on the federally required shipper export declaration. You may write to or call the association at 11 West 42nd Street, New York, N.Y. 10036; (212) 944-2230. NB

How To Ask

Have a business-related question?

Write to: Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space. All replies must be given in this column.

For Your Tax File

PHOTO: JEFF LAWRENCE

You say your dog ate your tax return? The IRS probably won't buy that excuse.

An IRS Shocker: It Has A Heart

By Gerald W. Padwe, C.P.A.

The Internal Revenue Code sets some deadlines for taxpayer action: when a return must be filed, when tax must be paid and so on. But many deadlines are set not by law but by the Internal Revenue Service, through its regulations. This is true of many of the elections that taxpayers are eligible to make.

What happens if a taxpayer misses a deadline? If the deadline is set by the code, the taxpayer is generally out of luck and must take the consequences (a penalty, for example) provided by law, unless the code also authorizes forgiveness based on a standard like "reasonable cause."

When a deadline is set by regulation, the Internal Revenue Service can, under a somewhat restrictive procedure, extend that deadline if the taxpayer can show that he or she was not to blame for missing it.

The most common reason offered for seeking a deadline extension is that the taxpayer relied on an outside adviser. In that situation, if the adviser agrees that the taxpayer is not responsible for missing the deadline, the IRS often will grant an extension.

Extensions are also possible when circumstances are truly outside the taxpayer's control.

Recently, in what may be record time for granting that kind of relief, the IRS not only extended the deadline to elect the filing of a consolidated tax return by a group of corporations, but it also granted the extension within 40 days of being asked.

In this case, the parent corporation was based in the Aleutian Islands, in Alaska. The outside return preparer, based in Anchorage, included the consolidated-return election as part of the corporate return mailed to the taxpayer on March 8, presumably in plenty of time for the taxpayer to file the return by the March 15 due date.

A snowstorm prevented any U.S. Postal Service planes from landing on the taxpayer's island for nearly a week, and when the taxpayer received his return from the preparer, for execution and filing, it was March 17—two days too late for timely election of consolidated-return status.

The IRS concluded there was good cause for the late filing of the election and allowed the taxpayer the consolidated-return election that was due March 15.

Gerald W. Padwe is national director-tax practice for Touche Ross & Co. Readers should see tax and legal advisers on specific cases.

Congress Fires A Cannon To Kill A Gnat

One little-noticed 1986 tax-law change is in the treatment of stock-redemption expenses. A stock redemption is generally a capital transaction that does not give rise to a tax deduction. While that may seem obvious for the actual cost of repurchasing shares, what about expenses incurred in connection with the redemption?

While the IRS has usually disallowed expenses incident to a redemption, such as legal, brokerage and accounting fees, some authorities (most notably the Fifth Circuit Court of Appeals, in a 1966 decision) have held that in certain circumstances such related payments could be immediately deducted.

Some corporate managements relied on those authorities in deducting expenses incurred while resisting takeovers—particularly when a raider's shares were redeemed in a "greenmail" buyout. Congress' response, in the 1986 act, was a new provision denying a deduction for *any* amount paid or incurred by a corporation "in connection with" the redemption of its stock.

Not only is the new rule a broad restriction on deducting expenditures necessary or incident to a redemption, but the prohibition extends to *all* redemptions, even when they do not occur in response to an attempted hostile takeover. The law allows an exception for payments that represent interest. All other expenditures are nondeductible.

Consider the problems that can arise in interpreting such a wide-open phrase as "in connection with." For example, the legal expenses incurred to carry out the stock redemption would obviously not be deductible, just as they usually were not under prior law. But expenses like commitment fees and loan-origination fees, when associated with the financing a corporation received to acquire the stock, would generally have been amortized over the life of the loan. Now it is uncertain whether such loan expenses will be treated as nondeductible because they are incurred "in connection with" stock redemption.

Many normal redemption transactions, including family-business restructurings, may now carry a higher after-tax cost. NB

COMMENTARY

Congressional Alert

Here, in brief, are important legislative issues along with suggestions from *Nation's Business* on what you should tell members of Congress about them. Addresses: U.S. Senate, Washington, D.C. 20510 and U.S. House of Representatives, Washington, D.C. 20515.

Canada-U.S. Free-Trade Pact

PHOTO: MICHAEL S. YAMASHITA—WOODFIN CAMP

After a long series of discussions with business leaders and government policymakers throughout the United States and Canada, the U.S. Chamber of Commerce is convinced that passage of the Canada-U.S. Free Trade Agreement is in the best interests of both countries. Now it is up to members of Congress to decide if they agree.

The Reagan administration and key members of Congress have reached a compromise on legislation for implementing the agreement. Congress is expected to consider that legislation before the end of the year.

Granted, the pact does not cover all areas of dispute between the United States and Canada, and it would involve considerable adjustments by some industries and individual producers. But the proposed agreement would prove to be of great overall economic benefit to both nations.

The agreement would improve competitiveness by opening up new opportunities for U.S. exporters and by lifting some of the restrictions on U.S. investment in Canada. By strengthening the U.S. commitment to increase trade and investment, passage of the free-trade agreement would reverse a trend toward import restrictions, which are contrary to a healthy economy based on open-market competition.

Contact your senators and representatives to urge them to support the Canada-U.S. Free Trade Agreement, a pact that resulted from careful and protracted deliberations.

Biennial Budget

PHOTO: TERRY ASHE—GAMMA LIAISON

Congress could operate more efficiently and control government spending more readily if it approved President Reagan's proposal for a biennial budget. With federal outlays running consistently ahead of revenues, it is clear that the budget process is in need of fundamental reform. In recent years, Congress has been producing one massive stop-gap spending bill instead of individual appropriations bills for specific areas of government.

The annual, catch-all budget resolutions are time-consuming and often result in missed deadlines. The necessity to produce a single budget resolution under pressure each year creates an environment for hurried approval of inefficient and costly programs.

Biennial budgets would significantly reduce the time spent on budgetary issues. At the same time, the two-year cycle would provide time for deliberation, encourage more careful consideration of budget priorities and ultimately reduce spending. Another benefit of a biennial process would be fewer opportunities for special-interest groups to push for increased funding.

Urge your senators and representatives to help fight the budget deficit by supporting a two-year budget cycle.

Appropriations For Next Year

ILLUSTRATION: JENNIFER MATTOX

The American habit of spending more than we earn is hard to break. However, it stretches credulity when Congress finds it difficult to get the federal deficit under \$146 billion for the next fiscal year.

The \$1.1 trillion budget resolution for fiscal 1989, approved by Congress in June, assumed a \$142 billion deficit. The latest projection from the Office of Management and Budget is close to \$150 billion. But the Gramm-Rudman-Hollings law, which calls for gradual elimination of the deficit, sets a 1989 ceiling of \$146 billion and triggers automatic spending cuts if Congress exceeds that limit. (Entitlement programs and some "safety net" programs are exempt from the automatic reductions.)

The President has promised to veto appropriations bills—which provide funds for government programs—if they do not adhere to spending levels that the administration and Congress agreed to last fall to meet the Gramm-Rudman-Hollings requirements.

Urge your senators and representatives to reduce the federal deficit by reducing spending.

THE NATION'S BUSINESS

Where I Stand

Results of this monthly poll are forwarded to top government officials in the White House and Congress.

1. Encourage More Trade With Canada?

The free-trade agreement pending in the U.S. Congress and the Canadian Parliament would significantly expand what already is the world's largest commercial relationship, analysts say. U.S. supporters say the agreement would have a profoundly beneficial effect on thousands of small and midsized American businesses that would, in effect, operate in a North American free-trade zone. Opponents argue the pact would have a detrimental effect on already beleaguered U.S. industries sensitive to imports. Should Congress approve the Canada-U.S. Free Trade Agreement?

2. Accept New Plan On Mandatory Leave?

Congress is considering several bills mandating medical and parental leave. Like all mandated benefits, the measures are opposed by business. They would require all but the smallest employers to grant job-protected leaves up to 13 weeks for most family medical reasons or the birth or adoption of a child. An alternative proposal would make it unlawful for employers of 25 or more to deny leave for a "reasonable" period to women "affected by pregnancy, childbirth or a related condition." Should this alternative proposal on parental and medical leave be enacted?

3. Allow Garnishment Of Federal Wages?

An 1846 Supreme Court ruling bars creditors from garnishing wages of federal employees who refuse to repay debts. Some in Congress want to close what they perceive as a loophole in commercial law. Supporters of these efforts say fairness dictates that federal workers delinquent on their debts be subject to the same penalties as their nonfederal counterparts. Opposition to the change comes mainly from members of public-employee unions, who are understandably happy with their present exempt status. Should businesses be allowed to garnish wages of debtor federal employees?

Verdicts On July Poll

Here is how readers responded to the questions in the July issue.

	Yes	No	Undecided
Should armed forces be used to combat drug smuggling?	63%	29%	8%
Should use of narcotics be legalized?	19%	76%	5%
Should drug testing of employees and job applicants be legal?	77%	17%	6%

Send in your vote on the inserted postpaid card. Your views on any of these questions are also welcome as letters to the Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062.

Advertiser Information

*To respond to **Where I Stand** or to receive **Advertiser Information,** please call **1-800-443-5903** or complete the necessary information on the attached card and drop it in the mail.*

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Cold Product, Hot Company

Until recently, Frank Hickingbotham had never heard of frozen yogurt. Now his TCBY covers the continent with it.

By Michael Barrier

It is a familiar scene: A company's president is reminiscing about those early days, when he and the founder were getting the company off the ground. "I was there nailing the Sheetrock up," he says, smiling at the memory, "and carrying out the trash, and all those things that were necessary to open that first store"—the first, as it turned out, of more than 1,000 stores, enough to make this company by far the largest of its kind.

You could almost fill in the rest of the picture yourself: the luxurious paneled offices, the mellow white-haired man behind the desk, the portrait of the long-dead founder on the wall. But this time it's different.

The offices are handsome, but new, and they have the air of a place where everyone is too busy to finish that last bit of unpacking. The founder has not gone to his reward but sits in an office just around the corner; he is many years shy of a typical retirement age, and, as chairman and chief executive officer, he is immersed in running his company. The company's president—whose hair is dark—is not looking back over the decades, but over a much shorter span. The company is 7 years old; its president, who is the founder's eldest son, is 29.

The company is TCBY Enterprises, which Frank D. Hickingbotham started as a single frozen-yogurt shop in Little Rock, Ark., in 1981. Hickingbotham's son Herren, now TCBY's president and chief operating officer, managed that first store, but he was there mostly in the evenings and on weekends, because he was starting what he hoped would be a career as a securities salesman.

Herren Hickingbotham had been working at his father's side since he was 12, and a career in frozen yogurt was not in his plans. He did not expect the company to grow to anything like its present size.

For that matter, neither did Frank Hickingbotham.

He started TCBY almost as a hobby. Following two successful careers, first in insurance and then in food processing, he had sold his holdings—"put all my hay back in the barn," Hickingbotham says—and "pretty much retired," at the age of 44.

He had become acquainted with fro-

zen yogurt a couple of years earlier, on a visit to Dallas. He tasted some of the confection at a Neiman-Marcus store and exclaimed, according to company lore, "This can't be yogurt!" That was the name he gave his first store, which sold yogurt made by the same company that supplied Neiman-Marcus.

That first store "was something to do, something to play with, and then go play golf every day," Hickingbotham says. "But the customers just kept coming in."

By the time the store had been open a month, Hickingbotham had decided to open a second one, across the Arkansas River in North Little Rock; he talked his brother-in-law into managing it. Then he opened a third store in Conway, Ark., northwest of Little Rock, with Herren's younger brother as manager.

"After we opened those three stores," Hickingbotham says, "that was all I was going to ever do. By that time, I'd run out of relatives. But customers just kept coming, and finally, by the summer of '82, we were franchising."

The company went public in 1984, after weathering a lawsuit filed by I Can't Believe It's Yogurt, a smaller but older Dallas-based chain; the suit accused TCBY of appropriating ICBIY's name and mimicking its menu and decor. When the litigation ended, TCBY had agreed to rename its stores: "TCBY" The Country's Best Yogurt.

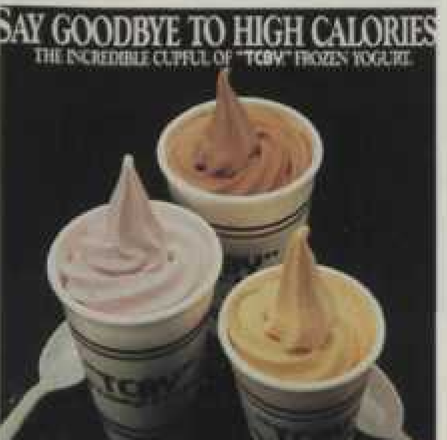
After six years of franchising, systemwide sales this year will approach or pass $200 million. At the current rate, TCBY's own revenues will be well above $50 million, and net income will far exceed last year's $13 million. The number of stores will pass 1,200 sometime late this year. There are now TCBY stores in all the states except North Dakota and Vermont, as well as in Canada and the Bahamas. The first store in Taiwan is scheduled to open this month. No other frozen-yogurt chain is even one sixth as large. TCBY's only real rivals are old and well-established ice-cream chains such as International Dairy Queen and Baskin-Robbins.

And that is exactly the point. Hickingbotham has always regarded ice cream, and not other brands of frozen yogurt, as his real competition. When TCBY rolled out its first national television advertising campaign last spring, its theme was: "Say goodbye to ice cream."

Hickingbotham's strategy has been to battle ice cream to a standstill where ice cream has always been strongest—in its appeal to the taste buds—and then call on frozen yogurt's lower calorie count to administer the coup de grace. Another TCBY slogan sums up this strategy nicely: "All of the pleasure. None of the guilt."

(Although ice cream and frozen yogurt are both frozen dairy products and they do not differ radically in composition, under federal law a product cannot be called ice cream unless it is at least 10 percent fat, by weight. Many premium ice creams are as much as 20 percent fat. TCBY yogurt is only 4 percent fat.)

TCBY's stores look like upscale ice-cream parlors, with live plants, floral posters and fresh flowers on butcher-block tables—all intended to appeal to TCBY's target audience, women 18 to 49 years old. "Most of the women see the fresh flowers on the table first," Hickingbotham says. "It makes a statement."



The yogurt itself, dispensed from soft-serve machines in four or six rotating flavors, fits right in: It tastes like an upscale ice cream. Hickingbotham has taken pains to keep it tasting that way. Late in 1983, when TCBY still had fewer than 100 stores, he locked in its yogurt supplier, now called Americana Foods, by buying that company. TCBY franchisees can buy yogurt only from Americana.

In 1986, Americana moved into a new plant large enough to supply 1,500 stores. And with the move came a noticeable improvement in the yogurt's taste. The difference, Hickingbotham says, is not in the yogurt's ingredients but in how precisely those ingredients can now be combined, thanks to the new plant's computerized controls. And once the yogurt is mixed in the plant, no further mixing is needed; all the franchisees do is thaw it and pour it into their soft-serve machines. "That's the secret of quality control," Hickingbotham says.

TCBY's menu offers almost nothing besides yogurt. "Pizza, barbecue, Mexican food—we've seen every combination imaginable in yogurt stores across the country," Hickingbotham says. "But we'll not do that. We're totally focused on yogurt and products that are extensions in some form of the yogurt concept. We have crepes, we have waffles, we're introducing a new line of yogurt cakes, we have yogurt pies. We're always amplifying the yogurt."

Customers pick up the message: TCBY has a lot of confidence in its product. That confidence is contagious. Last year, existing franchisees opened more than 70 percent of TCBY's new stores, and this year the percentage may be even higher. In the Chicago area, one franchisee will have almost 40 stores open by year's end.

"Two years ago," Hickingbotham says, "we opened our first store in Chicago. We will close out this year in the greater Chicago area with almost 100 stores. We have dominated that market, and we're going to be able to really capitalize on customer awareness, brand awareness."

Inevitably, he concedes, opening so many new stores in a market means that some of the first stores in that market suffer. Same-store sales—sales at stores that were open in the same reporting period a year earlier—declined systemwide last year by 4.5 percent.

But Hickingbotham says that "where we can move into a saturation of awareness by consumers, we can build back any cannibalization that we experienced." This year's figures bear him out: Same-store sales were up 2.1 percent for the first six months, and they rose 5.4 percent in the second quarter, when TCBY's network TV commercials aired.

His long-range thinking sometimes gets Hickingbotham in trouble with Wall Street. When one recent quarter's profits fell short of expectations because he had beefed up the field staff to manage future growth, "some of the analysts started telling their people they ought to bail out," he says. "But we made a very definite decision that we must run the

company for the best interests of the long term."

Hickingbotham has the air of a man who does not flinch from making very definite decisions of any kind. Portly and silver-haired, he possesses the natural authority of a Baptist minister or a school principal—both of which he once was.

When he walks through the halls at TCBY's headquarters in a Little Rock skyscraper, he knows the names of all the employees he sees—and they, without exception, greet him as "Mr. Hickingbotham" or, more often, "Mr. H" (which is how Herren Hickingbotham speaks of him).

He was born at McGehee, Ark., 52 years ago next month. He served as a minister in small rural churches while he attended college in nearby Monticello, Ark. Then he went back to McGehee as principal of the junior high school he had attended a few years earlier. "I had to supervise a number of the teachers that had taught me," he recalls. "In our very first meeting, as I looked into their faces, I knew they had all kinds of apprehensions—I was 22 years old and had no experience—and I said, 'Well, we're going to see how good a job you did.' They decided they'd help me every way they could."

"Pizza, barbecue, Mexican food—we've seen every combination imaginable in yogurt stores across the country. But we'll not do that. We're totally focused on yogurt and . . . the yogurt concept."

While still a principal, he started selling insurance part time. When he turned out to be good at it, he went into insurance full time, eventually becoming an insurance company's state sales manager in Little Rock.

In the late 1960s, he and some other investors bought a northwest Arkansas chicken restaurant and its small food-processing plant. He built up the food-processing end of the business, then did some more buying and selling of food companies. He finally sold his last one, a Dallas manufacturer of baking mixes, in 1981, and got ready to retire.

Then TCBY came along.

It is possible to envision Hickingbotham's retiring some years down the road—maybe after TCBY has added another 4,000 stores or so and become the largest company in a combined ice cream/yogurt industry. But for now, retirement is no longer an option.

"I'm not any closer than I ever was," he says. "My wife did get me a new set of golf clubs for Christmas, but I still haven't made it to the golf course." NB

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COMMENTARY

Editorial

The Democratic platform signals continued support for more government spending and controls.

Democrats' Platform: A Blueprint For Restoring Rejected Policies

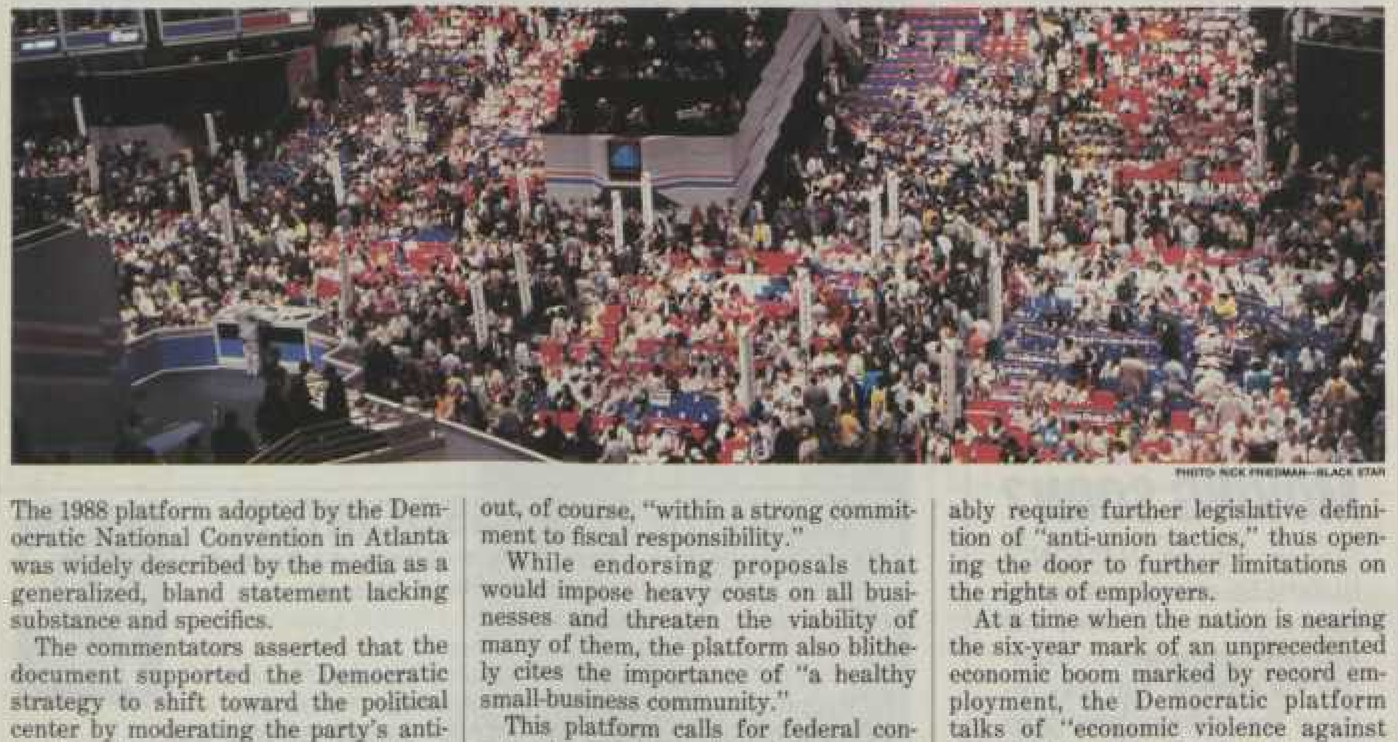

PHOTO: NICK FRIEDMAN—BLACK STAR

The 1988 platform adopted by the Democratic National Convention in Atlanta was widely described by the media as a generalized, bland statement lacking substance and specifics.

The commentators asserted that the document supported the Democratic strategy to shift toward the political center by moderating the party's anti-business image, supporting fiscal discipline and convincing voters that it was not pandering to special-interest groups.

But business people who read the Democratic platform will not find such reassurance. Through policy recommendations and overall tone, the statement signals continued support for more government spending and controls over the workings of the marketplace.

The document, supposedly lacking specifics, specifically endorses an indexed minimum wage, comparable worth, mandated leave, a major federal role in financing and regulating child-care services, plant-closing notification, more federal spending for education, federal funding of abortions, expanded housing programs, affirmative action based on goals as well as timetables and procurement set-asides, a "national health program" and extensive new programs for farm areas.

All this and more would be carried out, of course, "within a strong commitment to fiscal responsibility."

While endorsing proposals that would impose heavy costs on all businesses and threaten the viability of many of them, the platform also blithely cites the importance of "a healthy small-business community."

This platform calls for federal control of financial markets, mergers and takeovers. It opposes offshore drilling "in environmentally sensitive areas," which could mean almost any site, and asks for reduced reliance on nuclear energy but recommends a balanced energy policy.

Big labor isn't forgotten in the 1988 Democratic platform any more than it has been in past such documents. This year's statement contains a commitment to assure all workers of "the protection of an effective law that guarantees their rights to organize, join the union of their choice and bargain collectively with their employer, free from anti-union tactics."

That passage contains an echo of the AFL-CIO's long effort to win approval of so-called labor-reform legislation, which business has opposed on the ground that its ultimate purpose is to make it easier for unions to organize workers and harder for employers to resist such efforts.

The platform proposal would presumably require further legislative definition of "anti-union tactics," thus opening the door to further limitations on the rights of employers.

At a time when the nation is nearing the six-year mark of an unprecedented economic boom marked by record employment, the Democratic platform talks of "economic violence against poor and working people" and asks the nation "to reassert progressive values."

A party platform can be a forthright statement of the policies that the party will pursue if successful at the polls. It can also be a device to reassure as many constituencies as possible that their goals can be achieved by election of a given party's candidate, even if many of those goals are mutually exclusive.

Either way, a platform offers insights into the approach that the candidates running on it will take to the actual business of governing. The 1988 Democratic platform offers just such insights.

It is not, as has been widely reported, a vague, unfocused document. It is a blueprint for the restoration of the policies that voters have soundly rejected in the last two national elections. Business people should be aware of this as the 1988 presidential campaign gets under way. NB

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